The Ontario Securities Commission

National Instrument 31-103 Registration Requirements

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INTRODUCTION

The Canadian Securities Administrators (the **CSA** or **we**) are seeking comment on proposed National Instrument 31-103 *Registration Requirements* (the **Rule**) and proposed Companion Policy 31-103 *Registration Requirements* (the **Companion Policy**). The Rule introduces harmonized registration requirements across all CSA jurisdictions. The Companion Policy provides guidance on how the CSA will interpret or apply the Rule and related securities legislation.

This Notice, the Rule and accompanying materials seek comment on proposed changes to securities laws including matters that are now dealt with in the *Securities Act* (Ontario) and changes to the Act that may be proposed by the Ontario Securities Commission (**OSC**). At this time, the Ontario government has not reviewed these legislative proposals and has made no decision to proceed with them. Accordingly, the legislative proposals are subject to change as a result of the consultation process and as a result of review by the government. They will only become law if they are passed by the Legislative Assembly of Ontario.

The Rule would be implemented as:

- a rule in each of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, New Brunswick, Ontario and Prince Edward Island
- a regulation in each of Québec, the Northwest Territories, Nunavut and the Yukon Territory
- a commission regulation in Saskatchewan.

The text of the Rule and Companion Policy[1] will be available on websites of CSA members, including:
www.albertasecurities.com
www.bcsc.bc.ca
www.gov.ns.ca/nssc
www.lautorite.qc.ca
www.nbsc-cvmnb.ca
www.osc.gov.on.ca
www.sfsc.gov.sk.ca

National and multilateral CSA instruments and local regulations and rules governing registration and registrants will be repealed or amended as necessary. Appendix A sets out some of the CSA instruments which we will be proposing be amended or repealed in consequence of the Rule.

We are also seeking comment on proposed amendments to Form 33-109F1 *Notice of Termination* and Form 33-109F4 *Application for Registration of Individuals and Permitted Individuals* and on a new proposed form, Form 33-109F6 *Application for Registration as a Dealer, Adviser or Investment Fund Manager for Securities and/or Derivatives* (collectively the **Forms**). The Forms will also be available on the websites of CSA members as mentioned above.

We are publishing the Rule, the Companion Policy and the Forms for comment for 120 days. The comment period will expire on June 20, 2007.

We invite comment on these materials generally. In addition, we have asked a number of questions in shaded boxes throughout this Notice for your specific consideration.

BACKGROUND

The CSA Registration Reform Project

The Rule is one phase of the CSA Registration Reform Project (the **Project**), to harmonize, streamline and modernize the registration regime across Canada. The Project's objective is to create a flexible and administratively efficient regime with reduced regulatory burden. In addition to the development and implementation of the Rule, the Project has three other phases:

- the National Registration System (**NRS**) (implemented in April, 2005)
- the implementation of core client relationship principles through self-regulatory organization by-laws (to be published for comment in 2007)

[1] Some jurisdictions may also be publishing a table of concordance on their website mapping the current registration requirements to the proposed registration requirements.

- amendments to the National Registration Database (**NRD**) instruments to create efficiencies (to be implemented early in 2007).

Industry consultations

Throughout the development of the Rule, the CSA have sought to keep stakeholders informed about the issues being considered and proposals being developed. The Project has a dedicated website[2] on which information relating to the Project was published including two papers on the proposal for registration reform. Industry consultations were held in British Columbia, Alberta, Ontario and Québec at various times over the past two years to seek feedback on the issues being considered and proposals being developed. The CSA would like to thank all those who participated in the consultations. This participation was extremely helpful in the development of the Rule.

Business trigger for registration

An integral part of the registration regime is the registration trigger.[3] In all jurisdictions, except Québec (which already has a "business trigger" for dealing in securities), the current registration trigger is a "trade trigger"[4] for dealing in securities but a "business trigger"[5] for advising in securities.

We propose that all CSA jurisdictions extend the business trigger to both of:

- dealing in securities, and
- advising in securities.

The result is that anyone who is "in the business" of one or more of these activities must register. We also propose to extend the requirement to be registered to those who manage investment funds.

We propose that the following factors be considered when assessing whether an activity is conducted as a business:

- undertaking the activity, directly or indirectly, with repetition, regularity, or continuity
- being, or expecting to be, remunerated or otherwise compensated for undertaking the activity
- soliciting, directly or indirectly, others in connection with the activity
- acting as an intermediary, or otherwise inducing reliance by others on the person or company, in connection with the activity
- producing, intending to produce, or being capable of producing, profit
- holding oneself out, directly or indirectly, as being in the business of the activity.

We intend to monitor experience with the business trigger for a period of time (1-2 years) and then assess whether we should weight the criteria.

The business trigger is not intended to capture individuals who are buying and selling securities for their own account and who do not have direct access to a marketplace (excluding those who have dealer-sponsored access).

The objective of the business trigger proposal is to improve the registration process. We propose a business trigger regime because we think it is simpler and more flexible than the trade trigger regime. It will simplify the statutory registration exemptions by eliminating, for example, the need for statutory exemptions based on occasional trades and reduce the need for

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2 Please see www.rrp-info.ca. The proposal papers published on the website discuss in greater detail the policy basis for the proposals set out in the Rule.

3 The registration trigger identifies the activities that require registration.

4 For example, paragraph 25(1)(a) of the *Securities Act* (Ontario) provides:

> No person or company shall trade in a security ... unless the person or company is registered as a dealer ...

5 For example, paragraph 25(1)(c) of the *Securities Act* (Ontario) provides:

> No person or company shall act as an adviser unless the person or company is registered as an adviser ...

and subsection 1(1) of the *Securities Act* (Ontario) defines "adviser" as:

> "... a person or company engaging in or holding himself, herself or itself out as engaging in *the business* of advising others as to the investing in or the buying or selling of securities" [emphasis added].

exemptive relief applications for transactions such as business reorganizations.[6] Changing to a business trigger for dealing in securities will also bring our registration requirement in line with the requirement in other countries with modern securities legislation.[7]

Implementation of the business trigger for the registration of dealers

Each CSA jurisdiction currently sets out the registration trigger in its Securities Act. Most of the CSA jurisdictions propose to implement the business trigger for dealers through legislative amendments. British Columbia and Manitoba intend to implement the business trigger through an exemption from the existing trade trigger requirement.[8]

In addition to the implementation of the business trigger, legislative amendments or rules are needed to implement aspects of the Rule which will be discussed in more detail under the summary of the key features of the Rule. Other amendments or rules being recommended by most of the CSA jurisdictions include:

- amendments to detailed registration provisions in the legislation which relate to provisions included in the Rule
- new provisions to require registration of investment fund managers and key compliance/supervisory positions in all categories of firm registration, namely the ultimate designated person and chief compliance officer
- a harmonized requirement for registrants to deal fairly, honestly and in good faith with their clients and in their clients' best interests
- new (or amended) rule-making heads of authority to allow implementation of the Rule.

OVERVIEW OF THE REGISTRATION REGIME

Proposed legislative amendments, the Rule, the Companion Policy, changes to NRD and consequential amendments to some national and local instruments and repeals of other instruments all work together to create a comprehensive scheme for highly harmonized registration requirements across all CSA jurisdictions.

Legislation

The legislation continues to set out the core elements of the registration regime. These include:

- the requirement for firms and individuals to be registered if conducting activity requiring registration
- the ability of the securities regulatory authority or regulator, as applicable,[9] to impose terms and conditions on a registrant
- the surrender of a registration
- the ability of the securities regulatory authority or the regulator to revoke or suspend a registration.

Rule

The Rule sets out principles and prescriptive requirements associated with the core elements in the legislation. For example, the Rule contains the fit and proper requirements that must be met by an individual seeking registration, the conduct requirements that a registered firm and individual must meet in the course of carrying on activities requiring registration and exemptions from the requirement to be registered.

Companion Policy

The Companion Policy sets out the CSA's interpretation of the registration requirements and expectations on how registrants will comply with these requirements.

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6 Currently, applications for registration relief are often made because a trade does not fit completely within a statutory exemption. Relief is generally granted in these cases since they do not cause regulatory concerns.

7 The United States, the United Kingdom, Australia, Hong Kong and Singapore all use a business trigger.

8 British Columbia, for instance, is proposing to adopt a new registration exemption that would exempt persons that are not in the business of dealing in securities from the requirement to be registered to trade.

9 The ability to impose terms and conditions on a registrant is at the Commission level in some jurisdictions and at the Director level in other jurisdictions.

Related instruments

Many registration requirements currently found in national and local instruments have been moved into the Rule. As a result, many of these instruments will be repealed. Other instruments will need to be amended to reflect the policy changes proposed by the Rule.

Ongoing harmonization

The CSA are very committed to the ongoing harmonization of the registration requirements. We will establish a process to ensure consistency in decision making across the CSA jurisdictions. We are also committed to the ongoing harmonization of CSA requirements with the requirements of self-regulatory organizations (**SRO**) where appropriate.

SUBSTANCE AND PURPOSE OF THE RULE

The purpose of the Rule is to harmonize, streamline and modernize the registration regime across the CSA jurisdictions. The registration requirements provide protection to investors from unfair, improper or fraudulent practices, and thereby enhance capital market integrity.

When we reviewed current legislative requirements and considered modifying or adding requirements, we:

- looked at the nature and scope of the market problems or risks
- considered whether regulatory intervention is needed to eliminate or minimize the market problems or risks
- considered what regulatory solutions might best address the market problems or risks
- attempted to reduce regulatory burden and increase regulatory efficiency where possible.

The proposed registration regime being implemented through the Rule and the related consequential amendments include a number of significant changes, including:

- the introduction of a business trigger for dealer registration (Québec's legislation includes this concept currently)
- investment fund manager registration
- registration of an ultimate designated person and a chief compliance officer
- the introduction of an exempt market dealer registration category and the elimination of registration exemptions for capital-raising and safe securities.[10]

The Rule itself:

- consolidates and harmonizes in a single national instrument, requirements and restrictions governing registration and registrants that exist in various acts, regulations, rules, notices and administrative practices across all the CSA jurisdictions
- modernizes many registration requirements
- streamlines and harmonizes registration categories
- consolidates exemptions from the dealer and adviser registration requirement that are currently contained in various statutes, regulations, rules and discretionary orders.

SUMMARY OF THE KEY FEATURES OF THE RULE

Part 1: Definitions and Interpretation

Part I of the Rule identifies terms that are defined for purposes of the Rule.

[10] This is a change in all CSA jurisdictions except Ontario and Newfoundland and Labrador.

Part 2: Categories of Registration and Permitted Activities

Part 2 of the Rule identifies the categories of registration for firms and individuals. This part also sets out, by way of exemptions, the advising activities that a dealer may carry on and the dealing activities an adviser may carry on.

Harmonized and streamlined categories

We have harmonized the firm and individual categories across all the CSA jurisdictions. A few new categories have been added but overall the number of categories has been significantly reduced. This simplifies the application process for registration in multiple jurisdictions and reduces regulatory burden.

Registration in more than one category

Firms carrying on more than one type of activity requiring registration will generally be required to obtain registration in each of the applicable categories.[11] It is our intention to make multiple registrations as administratively efficient as possible for registrants. A firm that is registered in more than one category will need to comply with the requirements of all the categories in which it is registered. However, capital and insurance requirements are not cumulative for a firm holding multiple registrants: for these requirements, the most stringent would apply.

New firm categories

Exempt market dealer is a new category of registration for all jurisdictions.[12] Exempt market dealers will be restricted to dealing in prospectus-exempt securities and with persons to whom prospectus-exempt distributions can be made.[13] It is similar to the existing limited market dealer category in Ontario and Newfoundland and Labrador except that the category of registration will now be subject to additional fit and proper and conduct requirements.

Question #1: What issues or concerns, if any, would your firm have with the proposed fit and proper and conduct requirements for exempt market dealers? Please explain and provide examples where appropriate.

In Ontario and Newfoundland and Labrador, the majority of firms registered as limited market dealers will become exempt market dealers.[14] There are however some firms currently registered as limited market dealers which operate under a business model that staff does not believe constitutes carrying on the business of dealing in securities and would therefore no longer require registration. For example, we would not consider a firm that provides merger and acquisition advisory services to a company but does not participate in the distribution of securities to be in the business of dealing in securities.

British Columbia is considering not adopting this category[15] because it is concerned that requiring registration of persons who are in the business of dealing in the exempt market will have a negative impact on the province's venture capital raising business. British Columbia is also not convinced that there is a market problem in this area in British Columbia that is addressed by the registration requirement.

Question #2: The British Columbia Securities Commission seeks comments on the relative costs and benefits in British Columbia of harmonizing with the other CSA jurisdictions to create an exempt market dealer category and in doing so, eliminating the registration exemptions for capital-raising transactions and the sale of those securities, referred to in some jurisdictions as "safe securities" (i.e. government guaranteed debt).

Restricted dealer is a new category of registration for all jurisdictions. This category is intended to accommodate limited dealing activities that do not fall within the other firm categories.[16] The restrictions and requirements, including fit and proper requirements on initial application for registration, that apply to a person registered in the category will depend on the activity being carried on and will be set out in terms and conditions attached to the registration. We propose to monitor the use of this

[11] Currently, some CSA jurisdictions do not have any firms registered in multiple categories.

[12] We propose to repeal registration exemptions for capital-raising transactions and the sale of certain securities, referred to in some jurisdictions as "safe securities", currently in NI 45-106 *Prospectus and Registration Exemptions* in conjunction with the move to a business trigger and the proposed exempt market dealer category. Under a business trigger, persons or companies that are not in the business of dealing in securities will be able to do capital-raising transactions without being registered as a dealer or involving a registrant, subject to prospectus requirements.

[13] Exempt market dealers will be able to deal in prospectus qualified securities as well when dealing with persons to whom prospectus-exempt distributions can be made such as accredited investors.

[14] Transition provisions are being worked on as well as NRD mapping requirements in order to make the transition from the current categories to the new categories as efficient as possible.

[15] The British Columbia Securities Commission, in taking this position, has relied on comments from stakeholders and internal research on its exempt market.

[16] For example, a real estate securities dealer in British Columbia would become a restricted dealer.

category to see if business structures develop which warrant the creation of a type of restricted dealer through a rule rather than reliance on terms and conditions.

Restricted portfolio manager is a new category of registration for all jurisdictions. A restricted portfolio manager is restricted to advising others with respect to specified securities, types or classes of securities or specified industries. This new approach will better accommodate advisers with specialties who do not have the proficiency required for portfolio manager registration or who do not require full portfolio manager registration.

This category is being proposed because regulators recognize the increasing role that specialized advice has in today's securities industry and that the regulatory risks associated with expert advice can be adequately addressed through registration with tailored terms and conditions. The restrictions and requirements that apply to a person registered in this category will depend on the advising activity being carried on and will be in terms and conditions applied to the restricted portfolio manager's registration. A restricted portfolio manager will be permitted to provide discretionary management for its clients for those securities in which it is permitted to advise pursuant to the terms and conditions on its registration.

Investment fund manager is a new category of registration for all jurisdictions. This registration requirement applies to managers of all investment funds (e.g. domestic, foreign, reporting issuers and non-reporting issuers) other than private investment clubs. A fund manager will register in the CSA jurisdiction in which the fund is located.

Risks that have been identified which are particular to fund managers include:

- incorrect or untimely calculation of net asset value
- incorrect or untimely preparation of financial statements and reports
- incorrect or untimely provisions of transfer agency or record-keeping services
- conflicts of interest between the fund manager and the investors.

The registration of fund managers will:

- allow regulators to directly regulate fund managers instead of imposing registration type requirements on mutual fund issuers
- impose requirements to ensure that fund managers have the resources to adequately carry out their functions, or to adequately supervise the functions if they are outsourced, to provide proper services to security holders in compliance with all applicable legal requirements
- provide a framework for avoiding and managing conflicts.

Question #3: Registration for managers of all types of investment funds (other than private investment clubs) is proposed. Are there managers of funds for which the risks identified are adequately addressed in some other way and therefore registration as a fund manager may not be necessary? If so, please describe the situation.

New individual categories

Ultimate Designated Person and Chief Compliance Officer

We propose two new individual categories of registration for all types of registered firms:

(i) the Ultimate Designated Person (**UDP**)

(ii) the Chief Compliance Officer (**CCO**).

The UDP must be the senior officer in charge of the activity of the firm requiring registration, such as the chief executive officer or president (or the functional equivalent of these positions), and will be responsible for ensuring that policies and procedures for the discharge of the registrant's obligations under securities legislation are developed and implemented. The CCO will be responsible for the day-to-day monitoring of the registrant's adherence to its compliance policies and procedures. The UDP and the CCO may be the same person or different people depending on the size and structure of the firm. Proficiency requirements are prescribed for the CCO.

The registration of these individuals is a new requirement in all jurisdictions though it is similar to designation requirements that the Investment Dealers Association of Canada (**IDA**), the Ontario Securities Commission (**OSC**), and the Autorité des marchés financiers (**AMF**) currently impose on certain registrants.[17]

The purpose of registering these individuals is to:

- promote a firm-wide culture of compliance
- give the regulators tools to deal directly (rather than indirectly through the firm) with individuals who are not fit and proper for their responsibilities or who cease to be fit and proper, such as by imposing terms and conditions on the individual's registration or revoking a registration
- ensure that persons performing compliance functions have the requisite proficiencies.

Question #4: Registration of the UDP and CCO is proposed. As well, we propose that the UDP be the senior officer in charge of the activity carried on by a firm that requires the firm to register. What issues or concerns, if any, would your firm have with these registration requirements? Do you think the registration of the UDP and CCO contributes to or detracts from a firm wide culture of compliance? Please explain.

Associate Advising Representative

The individual registration category for an associate advising representative for a portfolio manager which currently exists in some CSA jurisdictions is proposed for all jurisdictions. This category is primarily an apprentice category for individuals who are seeking full adviser registration but do not meet the experience or education requirements. It will also accommodate individuals who work for a portfolio manager and are in charge of client relationships but who do not perform portfolio management for clients.

Question #5: The Rule proposes an associate advising representative category for portfolio managers but not for restricted portfolio managers because the restricted portfolio manager category is intended for individuals who have expertise in a specific industry. Is the concept of an associate advising representative useful in the context of a restricted portfolio manager? If so, why?

Reduction in number of non-registered individuals

A consequential amendment that we intend to propose in connection with the Rule is to change the definition of "non-registered individuals"[18] in Multilateral Instrument 33-109 *Registration Information* by narrowing it so it applies only to senior executives (i.e. chief executive officer, chief financial officer, chief operating officer and persons performing the functional equivalent to these positions) and directors (i.e. mind and management of the firm). This will significantly reduce the number of filings by non-registered individuals since filings will no longer be required by individuals who have officer titles but do not form part of the mind and management of a firm.

Question #6: We discussed but have not proposed registration of senior executives and directors (i.e. the mind and management) of a firm. Registration would assist the regulators in being able to deal directly with this group of people rather than indirectly through the firm. Please provide us with comments on what positions in a firm should be considered part of the mind and management and what issues or concerns you or your firm would have with registration of individuals in those positions.

Categories not being continued

We have eliminated the security issuer category. We expect that many firms currently registered as a security issuer would not be caught by the business trigger. If, however, an issuer is in the business of dealing in securities, then registration as a dealer, such as an investment dealer or an exempt market dealer, will be required.

We have eliminated the securities adviser category. We do not intend to register persons who only provide generic advice (i.e. advice that is not directed to a particular investor). We believe that the regulatory risks associated with the giving of generic advice are better dealt with through anti-fraud provisions and disclosure requirements regarding conflicts of interest and are considering whether amendments to existing requirements or new requirements are needed.

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[17] The new provisions in Québec securities legislation are not yet in force.

[18] There is a proposal to change the term "non-registered individual" to "permitted individual" which is in the process of being approved by the CSA and may come into force during the comment period on the Rule.

We have eliminated the investment counsel category. Almost all advisers are currently registered as portfolio managers. Advisers will either be portfolio managers or restricted portfolio managers. Both categories of adviser will be permitted, but not required, to provide discretionary advice.

The category of international dealer in Ontario and Newfoundland and Labrador and the category of international adviser in Ontario have been eliminated. Under the Rule, persons who currently fall into these categories will become exempt from registration in all CSA jurisdictions, subject to conditions that generally mirror the conditions currently imposed on these categories. The move to an exemption means that the protections offered by registration no longer extend to clients of international dealers and international advisers. Consequently, the types of clients that they are permitted to have under the Rule has been narrowed somewhat from those permitted under the current registration categories. While not all CSA jurisdictions currently have an international dealer or international adviser category, some jurisdictions have granted discretionary relief to international dealers and international advisers on terms and conditions similar to but not identical to the exemptions proposed in the Rule.

Existing categories that have not been used or rarely been used will be deleted – for example the financial intermediary dealer and foreign dealer categories in Ontario, the investment contract brokerage category in Québec and the exchange contracts dealer category in British Columbia[19] and Alberta.

We have also renamed some of the existing categories. For example, limited market dealers in Ontario and Newfoundland and Labrador will become exempt market dealers. Transition issues are discussed later on in this Notice.

Permitted advising activities for dealers

The Rule contains an exemption from the adviser registration requirement for a registered dealer who provides non-discretionary advice which is necessary to support its dealing activities. This exemption recognizes that dealing in securities necessarily involves an aspect of advising which is not incidental to, but part of, the business of dealing. This is a change from the current exemption in most jurisdictions which refers to advising activities that are incidental to a dealer's primary business.

We will maintain the current exemption for IDA members who give discretionary advice to fully-managed accounts in accordance with IDA by-laws.[20]

Permitted dealing activities for advisers

The Rule includes an exemption from the dealer registration requirement for a registered adviser who deals in units of its in-house pooled funds with *bona fide* fully-managed accounts managed by the adviser as part of its portfolio management for those accounts. We have included an anti-avoidance provision which, together with the referral arrangement restrictions in Part 6 of the Rule, is intended to clarify the limited circumstances in which the exemption is available. The prospectus requirements applying to the distribution of the units have not been changed.[21]

Question #7: The proposed exemption applies to advisers who are actively advising and managing their clients' fully-managed accounts. The exemption has not been extended to advisers dealing in securities of their own pooled funds with third parties. If there are circumstances in which you think it would be appropriate to extend the exemption to third parties please describe.

Part 3: SRO Membership

As today in most CSA jurisdictions, the Rule requires investment dealers to be members of the IDA and mutual fund dealers to be members of the Mutual Fund Dealers Association of Canada (**MFDA**) or, in Québec, a member of a self-regulatory organization that is recognized for the purpose of regulating mutual fund dealers.

Certain requirements in the Rule (e.g. proficiency and solvency requirements) will not apply to members of SROs and their registered individuals. Requirements for these areas will be prescribed by the applicable SRO.

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19 In British Columbia and Alberta it is expected that in the future, exchange contract dealers will operate as investment dealers and become members of the Investment Dealers Association of Canada.

20 Mutual Fund Dealers Association of Canada rules currently prohibit discretionary managed accounts but the MFDA is considering proposing rule amendments to allow such accounts subject to conditions in which case amendments to the Rule to provide an exemption for members of the MFDA similar to that proposed for IDA members would be considered.

21 In Ontario, advisers are reminded that the prospectus exemption for distributions to accredited investors in sec. 2.3 of NI 45-106 does not apply to a portfolio manager acting for a fully managed account in the purchase of a security of an investment fund as a result of paragraph (q) of the definition of "accredited investor" in sec. 1.1 of NI 45-106.

Part 4: Fit and Proper Requirements

Fit and proper requirements are designed to ensure the suitability of individuals or firms for registration. The cornerstones of the registration fit and proper requirements are:

- proficiency – only qualified persons can deal in securities, advise, or manage investment funds
- integrity – registrants are subject to business conduct rules and are held accountable for their securities related activities
- solvency – registered firms must be financially viable.

Division 1 – Proficiency

We have harmonized proficiency requirements for individuals registered with firms that are not SRO members. We have also modernized proficiency requirements by moving from course-based to exam-based requirements wherever possible. We recognize that many individuals have already completed college or university courses that prepare them for industry exams. Requiring further coursework is an unnecessary regulatory burden.

As mentioned above, proficiency requirements for SRO members will be set out in SRO by-laws.[22] This will permit flexible and timely responses to new proficiency needs as industry develops new products.

The currency of exams for proficiency requirements has been modified. The general requirement is that the required exam must be completed within 36 months of the date of applying for registration. If the exam was completed more than 36 months before applying for registration the exam will be current if the individual was registered or had relevant experience for 12 months during the 36 months preceding registration. We also recognize that individuals can gain relevant experience in various ways. Consequently, we have not prescribed what constitutes relevant experience. Instead, we have provided guidance on what we consider to be relevant experience in the Companion Policy.

Advisers will have two options to choose from to meet the proficiency requirements. One option is the CFA Charter which, in our experience, is the proficiency most often acquired by portfolio managers who act for institutional clients. The other option is the Canadian Investment Management designation plus four years of relevant investment management experience. This proficiency is, in our experience, the one most often acquired by portfolio managers who act for retail clients.

Division 2: Solvency Requirements

We regulate a firm's solvency by imposing capital and insurance requirements. The requirement to maintain a minimum level of capital is one of the tools that a regulator uses to monitor its market participants. The capital formula, as a regulatory tool, enables the regulator to achieve the following objectives:

- provide protection against insolvency due to liabilities exceeding the realizable value of assets
- provide protection to client assets and minimize disruption to clients
- ensure liquidity of a firm
- allow the regulators sufficient time to intervene to facilitate an orderly wind down, if necessary
- serve as a signal to the regulator that the market participant may have potential problems
- help in the assessment of the integrity of market participants and their fitness for registration.

The primary objective of an insurance requirement is to protect against the loss of property with a view to:

- protecting clients' assets
- protecting the firm's own assets.

[22] The MFDA will be responsible for setting the proficiency requirements for individuals carrying on activity requiring registration for its members but the registration of those individuals will continue to be done by the securities regulatory authority or regulator, as applicable, in each jurisdiction.

Capital requirements

The Rule contains harmonized minimum capital requirements for non-SRO registered firms,[23] including exempt market dealers and investment fund managers. Registered firms with multiple registrations will need to be aware of the requirements for each category of registration they have. The capital requirements have been modernized and reflect a more risk-based approach which is consistent with the approach taken by SROs. It is also an approach which, we believe, better reflects the risks inherent in current business models and the differences in internal controls across registered firms.

Other key changes to the proposed capital requirements include:

- an increase in minimum capital requirement for most non-SRO registered firms (but generally no change for portfolio managers that hold client assets)
- an increase in the frequency of filings for most non-SRO registered firms
- an enhanced capital calculation formula to better reflect the business model of a firm.

In addition, firms must prepare capital calculations and financial statement filings on an unconsolidated basis.

Insurance

The Rule sets out modernized insurance requirements for non-SRO registered firms. For some advisers there will be no change in the requirements. Insurance requirements for SRO members are set out in the SRO by-laws. The method of calculating insurance has changed and is now based on a formula and not a flat amount.

Question #8: The Rule requires dealers, advisers and fund managers to have Financial Institution Bonds. In cases where the owners of the firm also carry out the operations and registerable activity of the firm, usually in small firms, are these bonds prohibitively costly to obtain and will the bonds provide coverage if they are obtained in these situations?

Division 3: Financial Records

The Rule harmonizes and modernizes the current requirements for non-SRO registered firms to appoint an auditor and deliver financial information on a periodic basis.

Part 5: Conduct Rules

Part 5 consists of eight divisions dealing with the conduct of a registrant.

Division 1: Account opening and know-your-client

This division consolidates existing requirements applicable to opening an account for a client (other than account opening documentation, which is discussed in Division 2) and assessing suitability for a client. It also contains an express requirement that a registrant must take reasonable steps to ensure that a proposed purchase or sale is suitable for the client with reference to the client's circumstances.

Question #9: We propose that some requirements of Division 1 not apply to clients that are accredited investors as defined in NI 45-106 *Prospectus and Registration Exemptions*. Is it appropriate to exclude this group, or any other group, of clients from the account opening requirements?

Division 2: Relationship Disclosure

The SROs are currently drafting rules to implement the client relationship principles with respect to account opening documentation. The Rule will impose similar requirements for accounts that non-SRO registered firms open for clients other than accredited investors.

[23] Capital requirements for SRO members will be set by the SRO.

Question #10 What issues or concerns, if any, would your firm have with the proposed relationship disclosure requirements? Is this type of requirement appropriate for some or all types of accredited investors? If so, what information would be useful to have in the relationship disclosure document?

Division 3: Client Assets

This section sets out and harmonizes safekeeping and segregation of funds requirements (currently in the securities legislation in some jurisdictions). This division also introduces a prohibition on non-SRO registered firms providing margin to clients. Providing margin is prohibited to this group of registered firms due to the nature of the businesses carried on by non-SRO firms. The proposed capital and insurance requirements for non-SRO firms do not take into account the risks associated with providing margin.

Division 4: Record Keeping

Currently, most jurisdictions prescribe the specific records that registrants must keep. We have replaced prescriptive lists with a general obligation for registrants to maintain an effective record-keeping system. This approach recognizes that records that are relevant for one firm may not be relevant for another. The Companion Policy includes guidance on the sorts of records a firm must maintain.

The Rule requires that registered firms keep their records in a durable and intelligible form, capable of being easily accessed and printed. This requirement accommodates both new recordkeeping technologies and a regulator's need to access records.

Division 5: Account activity reporting

Confirmations

The Rule harmonizes and modernizes[24] the current requirements found in securities legislation for registered dealers to send confirmations of trades to clients. The Rule recognizes that often client orders are filled through multiple trades and on multiple marketplaces and therefore permits aggregated information on a confirmation.

The Rule introduces in all CSA jurisdictions the disclosure option set out in subsections 71.1(6) and (7) of Alberta Securities Commission Rules for clients trading in securities of mutual funds, scholarship plans, educational plans and educational trusts under automatic payment plans, automatic withdrawal plans or contractual plans. These sections give registered dealers the option of providing clients with a semi-annual summary of trades following the initial issuance of a trade confirmation.

Question #11: Is the prescribed content for a confirmation the appropriate type of information?

Streamlined Statements of Account and Portfolio

We have modified the requirement for registered dealers and portfolio managers to issue statements of account or portfolio to clients at specified times. Firms may aggregate information and reduce the frequency of delivery provided the information is available to the customer upon request and without additional charge.

Division 6: Compliance

Principle-based compliance regime

Compliance is a firm-wide responsibility. We have sought to reinforce firm-wide responsibility by setting out a general compliance obligation in the Rule. Registered firms must establish and enforce a system of controls and supervision that ensures the firm's compliance with all applicable requirements of securities legislation. These are not new requirements. However, the Rule adopts a principle-based approach to these requirements because experience suggests that this is a better way to accommodate the diversity in size and scope of our industry participants.

Registration of UDP and CCO

As discussed above, the Rule introduces the UDP/CCO system. While the UDP and CCO are responsible for carrying out specific activities, this does not mean that they are the only members of a firm that are responsible for compliance. The Rule requires a registered firm to give the UDP and CCO direct access to the board of directors of the firm or the partnership at such times as either of them may independently deem necessary. Compliance is the responsibility of everyone in a firm.

[24] We've attempted to capture in the Rule some of the discretionary relief relating to confirmations that has been granted in some CSA jurisdictions.

Branch managers

Consistent with the move away from prescriptive compliance requirements, we have removed prescribed requirements relating to branch offices and branch managers from the Rule. Firms must consider their branch supervision requirements as part of the principle-based requirement to have an adequate supervision system which effectively achieves compliance with regulatory requirements. In addition, SRO members will continue to be subject to applicable requirements of their SRO, including those relating to branch offices and branch managers.

Division 7: Complaint Handling

The Rule contains a requirement that registered firms implement policies and procedures to address client complaints. This is a new requirement in most CSA jurisdictions. This requirement is in response to comments received from investors about the need for responsive complaint handling processes. A firm's policies and procedures must provide for the recording and investigation of complaints and for the resolution of disputes concerning the firm's products or services. The Rule also contains a complaint reporting requirement that will provide securities regulatory authorities with important information for assessing market conduct practices, compliance by firms as well as their risk profile for supervision purposes. We have included guidance in the Companion Policy about what constitutes a satisfactory complaints handling system. This guidance is based on the existing regime in Québec.

We have included a general obligation on a firm to effectively and fairly deal with complaints. This obligation is supported by a requirement that a non-SRO firm participate in a dispute resolution service[25] which is similar to the requirements of the SROs.

Division 8: Non-resident registrants

Division 8 only applies to non-resident registrants. We have removed Canadian incorporation requirements. The conditions of registration that apply to resident registrants also apply to non-resident registrants. However, there are additional requirements in the Rule applicable to non-residents. These requirements incorporate portions of OSC Rule 35-502 *Non-Resident Advisers* and terms and conditions currently imposed by some CSA jurisdictions on the registration of non-resident registrants.

Part 6: Conflicts

Consolidation and modernization of conflict of interest provisions

Under current securities legislation, conflict of interest provisions are scattered throughout statutes, regulations and rules. The Rule consolidates, harmonizes and modernizes conflicts provisions across all CSA jurisdictions.

The Rule sets out an over-arching principle that registered firms must identify and deal with all conflicts. There are prescriptive requirements for those conflicts that we believe must be dealt with in a particular manner (i.e. avoidance or disclosure). This is a new approach for all CSA jurisdictions.

Question #12: The Rule requires a registered firm to identify and deal with all conflicts. Would a materiality concept be appropriate within the requirement or should that be dealt with at the firm level within the firm's policies?

We provide guidance in the Companion Policy about how registrants may satisfy the over-arching principle and the tools (e.g. structural mechanisms, disclosure and avoidance) that may be useful to deal with conflicts of interest.

Adviser fees no longer restricted

CSA jurisdictions currently prohibit an adviser from charging transaction-based fees. We believe this prohibition was originally intended to prevent excessive transactions being done within a client's account to generate fees. Consistent with most foreign jurisdictions, we propose to remove the prohibition which will mean that advisers will be free to decide how they want to charge their clients. The risk that the original prohibition was intended to address will now be addressed through expanded disclosure of conflict of interest requirements in the Rule and the relationship disclosure requirements. For example, advisers will be able to move to a transaction-based fee structure (and be on equal footing with dealers), but their clients must receive disclosure about the basis upon which advisers are charging fees.

The Rule also modernizes and streamlines the existing provisions relating to statement of policies and limitations on trading, advising and recommendations.

[25] In Québec, the AMF acts as a dispute resolution service.

Acquisition of registrants

We have modified the requirements which apply to the acquisition of a registrant. The requirements now apply to anyone (not just another registrant) proposing to acquire a registrant. This modification allows the securities regulatory authorities the opportunity to address ownership issues which affect a firm's suitability for registration before transactions are completed.

Referral arrangements

The CSA have identified a number of issues and regulatory risks relating to referral arrangements through the course of compliance field reviews and enforcement cases including:

- *conflict of interest* - there is a risk that the referrer will only refer clients to a registrant that pays for the referral or to the registrant that pays the highest referral fee
- *client awareness* - a client expects advice that is in the client's best interest and is not influenced by the referrer's own financial interest
- *client confusion* - without adequate disclosure, clients may be confused about who they are dealing with and who to approach for advice
- *referrer performing activities requiring registration* - there is a risk that a referrer lacking the appropriate proficiency or registration may engage in activity requiring registration (e.g. dealing in or advising on securities)
- *supervision and oversight* - some of the referral arrangements observed during compliance field reviews are informal arrangements that a salesperson has entered into without the dealer's knowledge or approval.

The Rule attempts to address these issues and to minimize the risks relating to referral arrangements. The Rule requires registrants to:

- manage and disclose conflicts of interest
- disclose information about referral arrangements that a reasonable investor would consider important in order to evaluate the referral arrangement
- establish clear lines of responsibility for compliance with securities legislation.

Question #13: Is our description of the risks of referral arrangements complete and accurate? If not, what is missing?

Part 7: Suspension and Revocation of Registration

Permanent registration

The Rule and the proposed legislative amendments implement the concept of permanent registration in all CSA jurisdictions.[26] Once granted, registration will remain effective until it is suspended or revoked as a result of a triggering event. Triggering events include an intervention by the regulator or securities regulatory authority, failure to pay annual fees, an individual ceasing to have a sponsoring firm, and the regulator's or securities regulatory authority's acceptance of a request to surrender registration. The Rule also clarifies the implications of suspended registration, as well as the procedural aspects of reinstatement.

Automatic reinstatement

In order to address industry concerns about delays in processing transfers, the Rule introduces the concept of automatic reinstatement (sometimes referred to as a transfer) of individual registration in all CSA jurisdictions. As is the case today, an individual who leaves his or her sponsoring firm will be automatically suspended. However, if the individual finds a new sponsoring firm within 90 days, the suspension will be lifted automatically so that he or she can begin working at once without waiting for regulatory approval. This system is currently in place in Québec.

[26] Permanent registration already exists in Saskatchewan and Québec.

Proposed legislative amendment to give regulator power to intervene

We are proposing that the regulator have discretionary power[27] to revoke or suspend a registration or impose terms and conditions on registration at any time when the regulator makes a determination that a registrant no longer meets the fit and proper requirements or that their continued registration is objectionable. The power of the regulator to revoke or suspend a registration at any time is a new concept in most jurisdictions. Under current securities legislation in most jurisdictions, the regulator is generally limited to one opportunity (e.g. renewal time) to intervene to revoke or suspend registration. At most other times, action must be taken through the securities regulatory authority (i.e. the Commission). The revocation, suspension or imposition of terms and conditions on registration will be subject to the registrant's right to an opportunity to be heard and right of appeal to the securities regulatory authority.

Terminations

A related amendment to NI 33-109 *Registration Information* introduces a revised Form 33-109F1 (Notice of Termination). The notice now includes a list of questions designed to elicit more information from a former sponsoring firm that will be relevant to the regulator's assessment of an individual's continued fitness for registration. The revisions to the notice of termination are in conjunction with the move to permanent registration and automatic reinstatements and will assist the regulator or securities regulatory authority, as applicable, in deciding whether a registration should be suspended because the individual is no longer fit and proper or because the registration has become objectionable.

Part 8: Information Sharing

The Rule contains a requirement that a registered firm disclose information about a former registered individual to another registrant that is considering hiring the individual if the information is relevant to an assessment of whether the individual is suitable for registration. This is a new requirement in all CSA jurisdictions. We view this requirement as important because sponsoring firms have an obligation to conduct due diligence before hiring individuals who will be conducting activities requiring registration.

Part 9: Exemptions from Registration

As a result of adopting the business trigger the number of registration exemptions needed will be significantly reduced. We do not propose to continue with the registration exemptions for capital-raising transactions and the sale of securities referred to in some jurisdictions as "safe securities" (i.e. government guaranteed debt) on the basis that those who are in the business of dealing in securities, regardless of the type, should be registered as a dealer. Many of the existing dealer registration exemptions that are based on a trade trigger are not necessary under a business trigger because they apply to a person that is not in the business of dealing in securities or a transaction that is not being done as part of a business of dealing in securities. For example, the exemption for trades between an individual and their RRSP is not necessary under the business trigger because the individual is not in the business of dealing in securities. The adviser registration exemptions are substantially the same as those that currently exist because, as mentioned, the adviser registration trigger is already based on being in the business of advising in securities.

Most of the exemptions that we propose in the Rule are based on the rationale that there is another regulatory regime in place that adequately addresses the regulatory risk associated with the dealing or advising activity. An example of this is the exemption for dealing in mortgages by a registered mortgage broker.

NI 45-106 Prospectus and Registration Exemptions (NI 45-106)

Currently, NI 45-106 contains the national prospectus and registration exemptions. We propose that the registration exemptions in NI 45-106, which are based (except for the adviser exemptions) upon a trade trigger for registration, be repealed and replaced with the exemptions set out in the Rule, which are based upon a business trigger for registration. For purposes of requesting comment on the proposed registration exemptions, we have set them out in the Rule rather than as an amendment to NI 45-106. The proposed registration exemptions do not affect the prospectus exemptions contained in NI 45-106.

[27] This will be accomplished in different ways; some jurisdictions may do legislative amendments to give the regulator the power while others may delegate power from the securities regulatory authority to the regulator.

Question #14: One objective of NI 45-106 was to have all exemptions in one instrument. As mentioned, we have included the registration exemptions in the Rule for purposes of obtaining comments on the exemptions that are being proposed under a business trigger. Would you prefer the registration exemptions remain in NI 45-106 or be moved into the Rule?

Exemption for international dealers and international advisers

As discussed above, the Rule contains exemptions for international dealers and international advisers. These exemptions are based on the international dealer and international adviser categories that currently exist in Ontario as well as on exemptions for non-resident advisers in OSC Rule 35-502 *Non-Resident Advisers*. The exemptions will only be available to companies that have no establishment, officers, employees or agents in Canada, and who carry on the business of dealing in or advising on securities in a foreign jurisdiction. The exemption allows international dealers and international advisers to deal with a prescribed list of clients for limited purposes which is narrower than the list of clients a registered international dealer or a registered international adviser has access to currently in Ontario.

Mobility exemption

We have revised and included in the Rule the mobility exemptions for registrants in MI 11-101 *Principal Regulator System* (MI 11-101). Today, MI 11-101 does not apply in Ontario. The revised exemption would apply in all CSA jurisdictions. It narrows the definition of "eligible client" to an existing client who has moved from one jurisdiction to another and that client's spouse and children. The registrant relying on the exemption would also be able to continue dealing with a personal holding company and a family trust of the client. The caps on assets under management in the local jurisdiction have also been removed.

CHANGES TO REGULATORY FRAMEWORK IN QUÉBEC

In Québec, the new regime created by the Rule will have significant consequences on the regulatory framework which currently applies not only to registrants governed by the Securities Act but also to those registrants governed by the Act respecting the Distribution of Financial Products and Services (the **Distribution Act**).

We are also seeking comment on these consequence (summarized below) in order to determine the most efficient way to achieve regulatory harmonization. The impacts on the current regulatory framework are summarized below.

Current regulatory framework

In Québec, dealers and advisers are subject to the Securities Act, whereas mutual fund firms, scholarship plan firms and investment contract firms are subject to the Distribution Act. The regimes under these two acts are substantially different.

Mutual fund firms are not required to be members of an SRO, and are under the direct supervision of the AMF. They are not required to maintain a financial institution bond, as dealers and advisers are required under the Securities Act, but must maintain professional liability insurance.

Mutual fund representatives, scholarship plan representatives and investment contract representatives (collectively, the **Distribution Act representatives**) must be members of the Chambre de la sécurité financière (**CSF**), an SRO governed by the Distribution Act. The mandate of the CSF is to ensure that Distribution Act representatives comply with the code of ethics adopted under the Distribution Act and with ongoing proficiency requirements. The CSF has disciplinary jurisdiction over the Distribution Act representatives.

Mutual fund firms, scholarship plan firms and investment contract firms must contribute to the Fonds d'indemnisation des services financiers, the compensation fund established pursuant to the Distribution Act, which provides financial compensation to investors who are victims of fraudulent tactics or embezzlement committed by firms or Distribution Act representatives.

This is not proposed to be changed following the adoption of the Rule, except for investment contract firms which will be transitioned in the category of restricted dealers and will no longer be held to such contribution. Following the adoption of the Rule, mutual fund representatives and scholarship plan representatives will continue to contribute to the compensation fund.

<u>Summary of regulatory impacts and changes in Québec</u>

Transition to the Securities Act

In order to achieve the harmonization objective of the Rule, mutual fund firms, scholarship plan firms and investment contract firms, as well as their representatives, will no longer be governed by the Distribution Act. They will be subject to the requirements of the Securities Act, pursuant to which the Rule will be adopted.

Under the Rule, Québec mutual fund firms will be transitioned in the category of mutual fund dealer, scholarship plan firms will be transitioned in the category of scholarship plan dealer and investment contract firms will be transitioned in the category of restricted dealer.

New requirements for mutual fund dealers

For mutual fund firms in Québec, the transfer to the Securities Act and the adoption of the Rule will have the following important consequences:

- upon the coming into force of the Rule, mutual fund dealers will be required to maintain minimum capital, and to calculate such capital, in the amount and in the manner prescribed by the MFDA
- they will be held to a financial institutional bond and will no longer be required to maintain professional insurance
- their representatives will be held to the proficiency requirements set forth by the MFDA; this does not represent a major change from the current regime. However, the Placements des particuliers (CEGEP) examination will no longer be accepted for these representatives.

SRO membership for mutual fund dealers in Québec

The exceptions from certain requirements for SRO members provided in section 3.3 of the Rule may not apply to Québec mutual fund firms at the time of the adoption of the Rule, since the MFDA is not an SRO recognized in Québec. However, the Rule provides that mutual fund dealers must be members of an MFD SRO (as defined in the Rule).

The AMF will carry on extensive public consultations in early 2007 to discuss with mutual fund dealers and other interested parties in Québec, the question of the MFD SRO in Québec and the most efficient way to achieve regulatory harmonization.

TRANSITION

Registrants impacted by changes in requirements will need to make a transition to the new requirements. We are considering what are appropriate transition times for each of the changed requirements and welcome your comments on this issue.

Concerning the proposed restrictions on referral arrangements, we propose to give registrants with existing referral arrangements a transition period of 120 days following implementation of the Rule to comply with that part of the Rule.

Question #15: Is 120 days sufficient to allow registrants with existing referral arrangements to comply with the Rule? If not, what length of time is sufficient? Please explain.

PROPOSED FORMS UNDER MI 33-109 REGISTRATION INFORMATION

We have proposed one new form (a firm registration form) and amendments to two existing forms (the individual registration form and the notice of termination form) under MI 33-109 *Registration Information*.[28]

In an effort to reduce the regulatory burden of multi-jurisdictional registration the new form is a harmonized firm registration form which is based on the various firm registration forms currently used across the CSA jurisdictions. This form also incorporates information previously requested through administrative practices in various jurisdictions.

Amendments have been made to the notice of termination form to support the proposal for permanent registration and more efficient transfers. The individual registration form has been amended primarily to clarify questions that were unclear to users of the form.

OTHER ISSUES

Incorporated salespersons

The CSA have not reached a decision on the request by industry to permit salespersons for registered firms to operate through incorporated entities. We intend to address this issue in 2007.

[28] MI 33-109 *Registration Information* is in the process of becoming a national instrument.

Annual fee payment date

Question #16: A matter not dealt with in the Rule but one which relates to registrants and NRD is the annual fee payment date. Comments have been made by some industry participants that a December 31 fee payment date is problematic and that a May 31 fee payment date would be better. Please comment on whether a May 31 or December 31 annual fee payment date is better for your firm.

DESCRIPTION OF OSC PROPOSALS FOR LEGISLATIVE AMENDMENTS

As part of its initiative to harmonize and streamline securities law in Canada, some CSA members are also seeking or will be seeking their government's consideration for certain securities act amendments. A summary of the amendments that the OSC plans to propose for consideration in Ontario is attached as Appendix B to this Notice.

The OSC welcomes comments on the Act amendments being considered.

At this time the Ontario government has not reviewed these legislative proposals and has made no decision to proceed with them. Accordingly, the legislative proposals are subject to change as a result of the consultation process and as a result of review by the government. They will only become law if they are passed by the Legislative Assembly of Ontario.

HEAD OF AUTHORITY

In Ontario, the OSC is seeking amendments to the *Securities Act* (Ontario) to provide it with the requisite authority to make certain provisions in the Rule. The remaining provisions are made under the authority of the following paragraphs of subsection 143(1) of the *Securities Act* (Ontario): 1, 2, 3, 4, 5, 7, 8, 13, 18, 25, 31, 33, 34, 35, 39, 39.1, 45, 47, 50 and 56.

ANTICIPATED COSTS AND BENEFITS

We believe that the overall benefits of the proposed registration regime will substantially outweigh the costs. Given that the securities regulation regime of the jurisdictions are not harmonized today, the specific costs and benefits will vary from jurisdiction to jurisdiction. Nonetheless, the common benefits of the proposed harmonized registration regime across all CSA jurisdictions include:

- harmonization of individual and firm registration categories, fit and proper requirements, conduct requirements and exemptions which creates efficiencies for regulators, for NRD and for industry
- reduction in regulatory burden through adoption of a permanent registration regime and streamlined transfer procedures
- the introduction of a business trigger which is intended to require registration for those who present regulatory risk because they are engaging in business in the securities industry and not require it for those who may be doing a trade (by definition) but who do not present regulatory risk – this could reduce the number of statutory registration exemptions required and consequently reduce the exemptive relief applications that have been needed in the past for transactions or trades that do not present regulatory risk but do not fall within the wording of the statutory exemptions
- increased investor protection through the introduction of
    - relationship disclosure requirements
    - referral arrangement restrictions
    - complaint handling procedures, and
    - enhanced conflicts and compliance requirements
- new exemptions which will reduce regulatory burden for international registrants.

Some of the costs associated with the proposed registration regime, depending on the jurisdiction, include:

- obtaining and maintaining registration for exempt market dealers and investment fund managers
- increased capital and insurance requirements for some registrants.

ALTERNATIVES CONSIDERED

No alternatives to the Rule were considered.

UNPUBLISHED MATERIALS

In proposing the revised version of the Rule, we have not relied on any significant unpublished study, report or other written materials.

REQUEST FOR COMMENTS

We welcome your comments on the Rule, the Companion Policy and the Forms and on our general approach to registration reform. As well, we have raised specific issues for you to comment on in the shaded boxes of this Notice.

We request your participation and input in this comment process and thank you in advance for your comments.

HOW TO PROVIDE YOUR COMMENTS

You must submit your comments in writing by June 20, 2007. If you are not sending your comments by email, you should also send a diskette containing the submissions (in Windows format, Microsoft Word).

Please address your comments to all of the CSA member commissions, as follows:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

Please send your comments **only** to the addresses below. Your comments will be forwarded to the remaining CSA jurisdictions.

John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8
Fax (416) 593-2318
Email: jstevenson@osc.gov.on.ca

Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22 étage
Montreal, Québec
H4Z 1G3
Fax: (514) 864-8381
Email: consultation-en-cours@lautorite.qc.ca

ALL COMMENTS WILL BE MADE PUBLICLY AVAILABLE

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. We will post all comments to the OSC website at www.osc.gov.on.ca and to the AMF website at www.lautorite.qc.ca to improve the transparency of the policy-making process.

QUESTIONS

Please refer your questions to any of the following CSA members:

Marsha Gerhart
Senior Legal Counsel, Registrant Legal Services
Ontario Securities Commission
Tel: (416) 595-8918
mgerhart@osc.gov.on.ca

Shaun Fluker
Legal Counsel
Alberta Securities Commission
Tel: (403) 297-3308
shaun.fluker@seccom.ab.ca

Sophie Jean
Conseillère en réglementation
Surintendance de la distribution
Autorité des marchés financiers
Tel: (514) 395-0558 ext. 4786
sophie.jean@lautorite.qc.ca

Sandy Jakab
Manager, Policy & Exemptions
Capital Markets Regulation
British Columbia Securities Commission
Tel: (604) 899-6869
1-800-373-6393 (in B.C. and Alberta)
sjakab@bcsc.bc.ca

Dean Murrison
Deputy Director, Legal/Registration
Saskatchewan Financial Services Commission
Tel: (306) 787-5879
dmurrison@sfsc.gov.sk.ca

The text of the Rule, Companion Policy and Forms can be found on various CSA member websites. The text of the documents will also be published in a supplement to the Bulletin dated February 23, 2007 (Vol. 30, Issue 8).

February 20, 2007

APPENDIX A – CONSEQUENTIAL AMENDMENTS TO NATIONAL INSTRUMENTS AND POLICIES

The following is a list of some of the national instruments and policies which will, subject to changes made to the Rule as a result of the comment process, be amended or repealed in consequence of the Rule. Other national instruments may be repealed or amended as a result of changes to the Rule due to the comment process. Amendments or repeals of local instruments in each of the CSA jurisdictions will be the subject of separate notices.

National Instrument 14-101 *Definitions*
National Instrument 31-101 *National Registration System*
National Instrument 31-102 *National Registration Database*
National Instrument 33-105 *Underwriting Conflicts*
National Instrument 33-109 *Registration Information*
National Instrument 45-106 *Prospectus and Registration Exemptions*
Multilateral Instrument 11-101 *Principal Regulator System*
National Policy 34-201 Breach of Requirements of Other Jurisdictions
National Policy 34-202 Registrants Acting as Corporate Directors

APPENDIX B – SUMMARY OF LEGISLATIVE AMENDMENTS PROPOSED BY OSC IN CONNECTION WITH PROPOSED NI 31-103 REGISTRATION REQUIREMENTS

The following is a summary of proposed legislative amendments to the *Securities Act* (Ontario) (the **Act**) that could support the Rule. Generally, the proposed amendments relate to certain definitions in the Act and to the registration requirement in section 25 as a result of the proposal to move to a business trigger, and to other sections of Parts XI, XII and XIII of the Act as a result of the proposal to consolidate, to the extent possible, registration requirements in the Rule.

Proposals for legislative amendments to the Act will be delivered to the government for its consideration.

At this time, the Ontario government has not reviewed these legislative proposals and has made no decision to proceed with them. Accordingly, the legislative proposals are subject to change as a result of the consultation process and as a result of review by government. They will only become law if they are passed by the Legislative Assembly of Ontario.

Registration trigger and the meaning of "in the business"

Proposed changes to the registration requirement currently set out in section 25 of the Act could involve two significant amendments to support the move to a business trigger. First, it could require the registration of investment fund managers. Second, it could require registration for dealers who are "in the business of dealing in securities" (similar to the current registration requirement for advisers).

For example, section 25 of the Act could be amended to require registration by a person or company who,

(a) acts as a dealer or as a representative of a registered dealer;

(b) acts as an adviser or as a representative of a registered adviser; or

(c) acts as an investment fund manager.

The definition of "dealer" could be amended to capture the concept of "engaging in the business" that currently exists in the definition of "adviser". For example, the definition of "dealer" could be amended to refer to a person or company engaging in or holding himself, herself or itself out as engaging in the business of dealing in securities.

Other definitions may be needed to support the changes being considered to section 25 of the Act. For example, a definition for "dealing in securities" could include:

(a) trading a security as principal or agent,

(b) acquiring a security as principal or agent and any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of acquiring a security as principal or agent, and

(c) acting as an underwriter.

A provision could be included in the Act to describe what it means to be "in the business" as it relates to the activities of dealing and advising. For example, the extent to which the person or company engages in one or more of the following could be considered when determining if a person or company is in the business:

1. The person or company undertakes the activity, directly or indirectly, with repetition, regularity, or continuity.

2. The person or company is, or expects to be, compensated for undertaking the activity.

3. The person or company acts as an intermediary in connection with the activity.

4. The person or company induces reliance by others on the person or company in connection with the activity.

5. The person or company produces, intends to produce, or is capable of producing, profit.

In addition to the factors set out above the proposed legislative amendments may also include such other factors as are relevant in the circumstances of the particular case. For example, a person or company may be found to be in the business of an activity even if,

(a) the activity is not the sole or primary business or occupation of the person or company; or

(b) the person or company does not maintain a physical presence in connection with the activity.

Other changes to definitions in the Act

Some changes to the definition section in the Act could be needed as a result of the way the categories of registration are set out in the Rule. For example, we believe that the definition of "portfolio manager" and "salesperson" may no longer be necessary.

New Act provisions to support the Rule

The Rule proposes enhanced compliance provisions, for example, the proposed requirement in the Rule for a registered firm to have an ultimate designated person and a chief compliance officer. Act provisions to support these provisions could include a requirement that:

(a) every registered adviser, registered dealer and registered investment fund manager develop and implement policies and procedures for the discharge of the registrant's obligations under Ontario securities law;

(b) every registered adviser, registered dealer and registered investment fund manager designate, from among the individuals listed in the regulations,

(i) an individual who shall ensure that the registrant develops, implements and maintains policies and procedures for the discharge of the registrant's obligations under Ontario securities law; and

(ii) an individual who shall ensure that the registrant's obligations under Ontario securities law are discharged.

The Rule also proposes permanent registration which could involve amendments to the Act to support that proposal and to remove the current concept of annual renewal. For example, section 26(1) of the Act could include a provision allowing the Director to revoke a registration, subject to providing an opportunity to be heard to the registrant, if it is in the public interest to do so.

Amendments to statutory exemptions

The proposal to move to a business trigger could reduce the need for statutory exemptions. As a result, proposed amendments may include changes to the exemptions set out in section 34 [*Exemptions of advisers*] and section 35 [*Exemption of trades*] of the Act.

Other sections of the Act to be repealed or amended

One objective of the Rule is to consolidate, to the extent possible, all registration related requirements in one place. This may necessitate deleting provisions from the Act . An example of this type of requirement is section 36 [*Confirmation of trade*] of the Act.

Other sections of the Act we believe may no longer be necessary as a result of attempts we have made in the Rule to modernize registration requirements. Examples of these include:

- section 39 [*Where dealer is principal*]
- section 40 [*Disclosure of financial interest of advisers and dealers*]
- section 41 [*Disclosure of underwriting liability*]
- section 43 [*Use of name of another registrant*]

Modernization of certain registration requirements could involve amendments to some provisions. For example, sections 44 [*Registration not to be advertised*] and 45 [*Holding out by unregistered person*] of the Act we believe, could be repealed and substituted with the following type of requirements:

(a) a person or company shall not represent that he, she or it is registered under this Act unless the representation is true and, when making the representation, the person or company specifies his, her or its category of registration under this Act and the regulations, and

(b) a person or company shall not make a statement about something that a reasonable investor would consider important in deciding whether to enter or maintain a trading or advising relationship with the person or company if the statement is untrue or omits information necessary to prevent the statement from being false or misleading in the circumstances in which it is made.

Consequential amendments and heads of authority

As to be expected with regulatory reform there could be a number of consequential amendments to the Act that could be needed but which we have not discussed here if the Rule is adopted in the proposed form. Changes to the rule-making heads of authority are also being considered.

PROPOSED NATIONAL INSTRUMENT 31-103
REGISTRATION REQUIREMENTS

Table of Contents

NATIONAL INSTRUMENT 31-103
REGISTRATION REQUIREMENTS

PART 1 - DEFINITIONS

Definitions

1.1 (1) In this Instrument

"accredited investor" has the same meaning as in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"Canadian financial institution" has the same meaning as in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"connected issuer" has the same meaning as in section 1.1 of National Instrument 33-105 *Underwriting Conflicts*;

"fully-managed account" means an account of a client that is managed by an adviser through discretionary authority granted by the client;

"IDA" means the Investment Dealers Association of Canada;

"marketplace" has the same meaning as in section 1.1 of National Instrument 21-101 *Marketplace Operation*;

"MFD SRO" means

(a) the Mutual Fund Dealers Association of Canada, or

(b) in Québec, a self-regulatory organization that is recognized for the purpose of regulating mutual fund dealers under an Act respecting the Autorité des marchés financiers;

"registered firm" means a registered

(a) dealer,

(b) adviser, or

(c) investment fund manager;

"registered individual" means an individual who is registered to act on behalf of a registered firm, including a registered firm's ultimate designated person and chief compliance officer; and

"related issuer" has the same meaning as in section 1.1 of National Instrument 33-105 *Underwriting Conflicts*;

"Schedule III bank" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada).

(2) In the following jurisdictions, a reference to "security" or "securities" in this Instrument includes "exchange contract" or "exchange contracts":

(a) Alberta;

(b) British Columbia;

(c) Saskatchewan.

(3) In Alberta, for the purposes of Alberta securities law, the following are prescribed duties or functions:

(a) ultimate designated person, being an individual who is responsible for ensuring that a registered firm develops and implements policies and procedures for the discharge of the registered firm's obligations under Alberta securities law;

(b) chief compliance officer, being an individual who is responsible for discharging a registered firm's obligations under Alberta securities law.

PART 2 - CATEGORIES OF REGISTRATION AND PERMITTED ACTIVITIES

Dealer categories

2.1 A dealer, when registered, must be registered by the regulator in one or more of the following categories:

(a) investment dealer, being a dealer that is permitted to deal in any security;

(b) mutual fund dealer, being a dealer that is permitted to deal solely in a security of a mutual fund;

(c) scholarship plan dealer, being a dealer that is permitted to deal solely in a security of a scholarship plan, educational plan or educational trust;

(d) exempt market dealer, being a dealer that is permitted to deal solely

(i) in a security that is being distributed under an exemption from the prospectus requirement, or

(ii) with persons or companies to whom a security may be distributed under an exemption from the prospectus requirement;

(e) restricted dealer, being a dealer that is limited by conditions on its registration to dealing in a specified security or class of security.

Exemption from dealer registration for advisers

2.2 (1) The dealer registration requirement does not apply to a registered adviser that deals in a security of its own pooled fund with a fully-managed account managed by the adviser.

(2) Subsection (1) does not apply if the fully-managed account is created or used solely to qualify for the exemption in subsection (1).

Adviser categories

2.3 An adviser, when registered, must be registered by the regulator in one of the following categories:

(a) portfolio manager;

(b) restricted portfolio manager, being an adviser that is limited by conditions on its registration to advising in specified securities or classes of securities.

Exemption from adviser registration for dealers without discretionary authority

2.4 The adviser registration requirement does not apply to a registered dealer that advises a client, in connection with a security in which it deals if the dealer does not manage the client's investment portfolio through discretionary authority granted by the client.

Exemption from adviser registration for IDA members with discretionary authority

2.5 The adviser registration requirement does not apply to a registered investment dealer that manages the investment portfolio of a client through discretionary authority granted by the client if the dealer is a member of the IDA and complies with the following by-laws, regulations and policies made by the IDA for portfolio managers, as amended from time to time:

(a) Regulation 1300 Supervision of Accounts;

(b) Part VII Discretionary and Managed Account Supervision of Policy 2 Minimum Standards for Retail Account Supervision;

(c) Policy 4 Minimum Standards for Institutional Account Opening, Operation and Supervision;

(d) Part I Proficiency Requirements of Policy 6 Proficiency and Education.

Individual categories

2.6 An individual, when registered to act on behalf of a registered firm, must be registered by the regulator in one or more of the following categories:

(a) dealing representative;

(b) advising representative;

(c) associate advising representative;

(d) ultimate designated person;

(e) chief compliance officer.

Associate advising representative – approved advising only

2.7 An associate advising representative of an adviser must not advise in securities unless, before giving the advice, the advice is approved by an advising representative of the adviser.

Ultimate designated person

2.8 (1) A registered firm must designate an individual to be responsible for ensuring that the registered firm develops and implements policies and procedures for the discharge of the registered firm's obligations under securities legislation.

(2) An individual designated under subsection (1) must be,

(a) the chief executive officer of the registered firm,

(b) an officer in charge of a division of the registered firm, if the activity that requires the firm to register occurs only within the division, or

(c) an individual acting in a capacity similar to that of an officer described in paragraph (a) or (b).

(3) An individual designated under subsection (1) must be registered by the regulator in the category of ultimate designated person.

Chief compliance officer

2.9 (1) A registered firm must designate an individual to be responsible for discharging the registered firm's obligations under securities legislation.

(2) An individual designated under subsection (1) must be,

(a) an officer or partner of the registered firm, or

(b) if the registered firm is a sole proprietorship, the sole proprietor.

(3) An individual designated under subsection (1) must be registered by the regulator in the category of chief compliance officer.

PART 3 - SRO MEMBERSHIP

IDA membership for investment dealers

3.1 (1) No person or company may be registered as an investment dealer unless the person or company is a member of the IDA.

(2) No individual may be registered to act on behalf of an investment dealer unless the individual is an approved person under the by-laws, regulations and policies of the IDA.

MFD SRO membership for mutual fund dealers

3.2 No person or company may be registered as a mutual fund dealer unless the person or company is a member of an MFD SRO.

Exceptions for SRO members

3.3 The following sections do not apply to a registrant that is a member or approved person of the IDA or an MFD SRO if the registrant complies with the by-laws, regulations and policies of that self-regulatory organization dealing with the same subject matter:

(a) section 4.14 [*capital requirement*];

(b) section 4.15 [*report capital deficiency*];

(c) section 4.16 [*insurance – dealer*];

(d) section 4.19 [*notice of change, claim, or cancellation*];

(e) section 4.20 [*appointment of auditor*];

(f) section 4.21 [*direction to auditor*];

(g) section 4.22 [*delivering financial information – dealer*];

(h) section 5.4 [*suitability*];

(i) section 5.6 [*leverage disclosure*];

(j) Part 5, Division 2 [*relationship disclosure*];

(k) section 5.13 [*securities, cash and other property*];

(l) section 5.17 [*margin*];

(m) section 5.21 [*confirmation of trade – general*];

(n) section 5.30 [*dispute resolution service*].

PART 4 - FIT AND PROPER REQUIREMENTS

Division 1: Proficiency requirements

Definitions

4.1 In this Division

"Branch Manager Proficiency Exam" means the examination prepared and administered by the RESP Dealers Association of Canada and so designated by that Association;

"Canadian Investment Funds Exam" means the examination prepared and administered by the Investment Funds Institute of Canada and so designated by that Institute;

"Canadian Securities Exam" means the examination prepared and administered by the Canadian Securities Institute and so designated by that Institute;

"CFA charter" means the charter earned through the Chartered financial analyst examination program prepared and administered by the CFA Institute and so designated by that institute;

"Conduct and Practices Handbook Exam" means the examination prepared and administered by the Canadian Securities Institute and so designated by that Institute;

"Canadian Investment Manager designation" means the designation earned through the Canadian investment manager program prepared and administered by the Canadian Securities Institute and so designated by that Institute;

"Investment Funds in Canada Exam" means the examination prepared and administered by the Canadian Bankers Institute and so designated by that Institute;

"Officers', Partners' and Directors' Exam" means the examination prepared and administered by the Investment Funds Institute of Canada and so designated by that Institute;

"New Entrants Exam" means the examination prepared and administered by the Canadian Securities Institute and so designated by that Institute;

"Partners, Directors and Senior Officers Exam" means the examination prepared and administered by the Canadian Securities Institute and so designated by that Institute;

"Sales Representative Proficiency Exam" means the examination prepared and administered by the RESP Dealers Association of Canada and so designated by that Association; and

"Series 7 Exam" means the program prepared and administered by the National Association of Securities Dealers in the United States of America and so designated by that regulator.

Time limits on examination proficiency

4.2 (1) Subject to subsection (2), an individual may not be registered in a category unless the individual passed the examination or successfully completed the program required for the category within 36 months of the date of applying for registration.

(2) If an individual passed the examination or successfully completed the program required for a category more than 36 months before the date the individual applied for registration, the individual may not be registered in the category unless the individual

(a) was registered in the category, or its equivalent in another Canadian jurisdiction, for any 12 months during the 36 months before the date the individual applied for registration, or

(b) gained 12 months relevant experience during the 36 months before the date the individual applied for registration.

Mutual fund dealer – dealing representative – non-MFD SRO

4.3 No individual may be granted registration as a dealing representative of a mutual fund dealer that is not a member of an MFD SRO unless the individual

(a) has passed one of the following:

(i) the Canadian Investment Funds Exam;

(ii) the Canadian Securities Exam;

(iii) the Investment Funds in Canada Exam;

(b) has passed

(i) the Series 7 Exam, and

(ii) the New Entrants Exam, or

(c) has met the requirements of section 4.9 [*portfolio manager – advising representative*].

Mutual fund dealer – chief compliance officer – non-MFD SRO

4.4 No individual may be granted registration as a chief compliance officer of a mutual fund dealer that is not a member of an MFD SRO unless the individual has passed,

(a) one of the following:

(i) the Canadian Investment Funds Exam;

(ii) the Canadian Securities Exam;

(iii) the Investment Funds in Canada Exam; and

(b) one of the following:

(i) the Partners, Directors and Senior Officers Exam;

(ii) the Officers', Partners' and Directors' Exam.

Scholarship plan dealer – dealing representative

4.5 No individual may be granted registration as a dealing representative of a scholarship plan dealer unless the individual has passed the Sales Representative Proficiency Exam.

Scholarship plan dealer – chief compliance officer

4.6 No individual may be granted registration as a chief compliance officer of a scholarship plan dealer unless the individual has passed

(a) the Sales Representative Proficiency Exam,

(b) the Branch Manager Proficiency Exam, and

(c) one of the following:

(i) the Partners, Directors and Senior Officers Exam;

(ii) the Officers', Partners' and Directors' Exam.

Exempt market dealer – dealing representative

4.7 No individual may be granted registration as a dealing representative of an exempt market dealer unless the individual

(a) has passed

(i) the Canadian Securities Exam, and

(ii) one of the following:

A) the Conduct and Practices Handbook Exam;

B) the Partners, Directors and Senior Officers Exam,

(b) has passed

(i) the Series 7 Exam, and

(ii) the New Entrants Exam, or

(c) has met the requirements of section 4.9 [*portfolio manager – advising representative*].

Exempt market dealer – chief compliance officer

4.8 No individual may be granted registration as a chief compliance officer of an exempt market dealer unless the individual

(a) has passed

(i) the Canadian Securities Exam, and

(ii) the Partners, Directors and Senior Officers Exam, or

(b) has passed

(i) the Series 7 Exam, and

(ii) the New Entrants Exam.

Portfolio manager – advising representative

4.9 No individual may be granted registration as an advising representative of a portfolio manager unless the individual

(a) has

(i) earned a CFA charter, and

(ii) 12 months of investment management experience in the 36-month period before applying for registration, or

(b) has

(i) received the Canadian Investment Manager designation, and

(ii) 48 months of relevant investment management experience, 12 months of which was in the 36-month period before applying for registration.

Portfolio manager – associate advising representative

4.10 No individual may be granted registration as an associate advising representative of a portfolio manager unless the individual has completed a requirement, or any part of a requirement, set out in section 4.9 [*portfolio manager – advising representative*].

Portfolio manager – chief compliance officer

4.11 No individual may be granted registration as a chief compliance officer of a portfolio manager unless the individual

(a) has been granted registration previously as an advising representative of a portfolio manager,

(b) has

(i) obtained professional designation as a lawyer or Chartered Accountant in a jurisdiction of Canada or the equivalent in a foreign jurisdiction and is in good standing with the appropriate self-regulatory body or regulatory agency,

(ii) passed the Canadian Securities Exam and the Partners, Directors and Senior Officers Exam, and

(iii) either

A) been employed for three consecutive years by a registered dealer or a registered adviser, or

B) been providing professional services to the securities industry for three consecutive years and employed by a registered dealer or registered adviser for 12 consecutive months, or

(c) has

(i) passed the Canadian Securities Exam and the Partners, Directors and Senior Officers Exam, and

(ii) either

A) been employed for five consecutive years by a registered dealer or a registered adviser, including three consecutive years under the supervision of the chief compliance officer of a registered dealer or a registered adviser, or

B) been employed for five consecutive years by a financial intermediary regulated provincially or federally in a compliance capacity relating to portfolio management and employed by a registered dealer or registered adviser for 12 consecutive months.

Restricted portfolio manager – chief compliance officer

4.12 No individual may be granted registration as a chief compliance officer of a restricted portfolio manager unless the individual has met the requirements of section 4.11 [*portfolio manager – chief compliance officer*].

Investment fund manager – chief compliance officer

4.13 No individual may be granted registration as the chief compliance officer of an investment fund manager unless the individual has met the requirements of section 4.11 [*portfolio manager – chief compliance officer*].

Division 2: Solvency requirements

Capital requirement

4.14 (1) A registered firm must maintain excess working capital, as calculated using Form 31-103F1 *Calculation of excess working capital*, that is not less than zero.

(2) For the purpose of calculating excess working capital, the minimum capital

(a) for an adviser must be $25,000,

(b) for a dealer must be $50,000, and

(c) for an investment fund manager must be $100,000.

(3) A registered firm must calculate its excess working capital as at the end of each month by completing Form 31-103F1 *Calculation of excess working capital* within 20 days following the end of the month.

Report capital deficiency

4.15 If, at any time, the excess working capital of a registered firm, as calculated using Form 31-103F1 *Calculation of excess working capital*, is less than zero, the registered firm must notify the regulator as soon as practicable.

Insurance – dealer

4.16 (1) A registered dealer must maintain a financial institution bond with clauses A to E, as set out in Appendix A, in the greater of the following amounts:

(a) $50,000 per employee, agent and dealing representative or $200,000, whichever is less;

(b) 1% of the total client assets that the dealer handles, holds or has access to, as calculated using the dealer's most recent financial records, or $25,000,000, whichever is less;

(c) 1% of the dealer's total assets, as calculated using the dealer's most recent financial records, or $25,000,000, whichever is less;

(d) the amount indicated to be necessary by a resolution of the board of directors of the dealer.

(2) The amount of insurance required to be maintained must as a minimum be by way of a financial institution bond with a double aggregate limit or a provision for full reinstatement of coverage.

Insurance – adviser

4.17 (1) A registered adviser that does not handle, hold, or have access to client cash or assets must maintain a financial institution bond for $50,000 with clauses A to E as set out in Appendix A.

(2) A registered adviser that handles, holds, or has access to client cash or assets must maintain a financial institution bond with clauses A to E, as set out in Appendix A, in the greater of the following amounts:

(a) 1% of assets under management, as calculated using the adviser's most recent financial records, or $25,000,000, whichever is less;

(b) $200,000;

(c) the amount indicated to be necessary by a resolution of the board of directors of the adviser.

(3) The amount of insurance required to be maintained must as a minimum be by way of a financial institution bond with a double aggregate limit or a provision for full reinstatement of coverage.

Insurance – investment fund manager

4.18 (1) A registered investment fund manager must maintain a financial institution bond with clauses A to E, as set out in Appendix A, in the greater of the following amounts:

(a) 1% of assets under management, as calculated using the investment fund manager's most recent financial records, or $25,000,000, whichever is less;

(b) $200,000;

(c) the amount indicated to be necessary by a resolution of the directors of the investment fund manager.

(2) The amount of insurance required to be maintained must as a minimum be by way of a financial institution bond with a double aggregate limit or a provision for full reinstatement of coverage.

Notice of change, claim or cancellation

4.19 A registered firm must, as soon as practicable, notify the regulator in writing of any change in, claim made under, or cancellation of any insurance policy required under this Division.

Division 3: Financial records

Appointment of auditor

4.20 A registered firm must appoint an auditor that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

Direction to auditor

4.21 (1) A registered firm must direct its auditor in writing to conduct any audit or review required by the regulator during its registration and must deliver a copy of the direction to the regulator

(a) with its application for registration, and

(b) not later than the 5th business day after the registered firm changes its auditor.

(2) If the regulator requires an audit or review of a registered firm under the direction referred to in subsection (1) the report must be delivered to the regulator as soon as practicable.

Delivering financial information – dealer

4.22 (1) A registered dealer must deliver to the regulator no later than the 90th day after the end of its fiscal year

(a) its annual financial statements for the fiscal year, and

(b) a completed Form 31-103F1 *Calculation of excess working capital*, showing the calculation of the dealer's excess working capital as at the end of the fiscal year and as at the end of the immediately preceding fiscal year.

(2) A registered dealer must deliver to the regulator no later than the 30th day after the end of the first, second and third quarter of its fiscal year

(a) its financial statements for the quarter, and

(b) a completed Form 31-103F1 *Calculation of excess working capital*, showing the calculation of the dealer's excess working capital as at the end of the quarter and as at the end of the immediately preceding quarter.

Delivering financial information – adviser

4.23 A registered adviser must deliver to the regulator no later than the 90th day after the end of its fiscal year

(a) its annual financial statements for the fiscal year, and

(b) a completed Form 31-103F1 *Calculation of excess working capital*, showing the calculation of the adviser's excess working capital as at the end of the fiscal year and as at the end of the immediately preceding fiscal year.

Delivering financial information – investment fund manager

4.24 (1) A registered investment fund manager must deliver to the regulator no later than the 90th day after the end of its fiscal year

(a) its annual financial statements for the fiscal year,

(b) a completed Form 31-103F1 *Calculation of excess working capital*, showing the calculation of the investment fund manager's excess working capital as at the end of the fiscal year and as at the end of the immediately preceding fiscal year, and

(c) a description of any net asset value adjustment made during the fiscal year.

(2) A registered investment fund manager must deliver to the regulator no later than the 30th day after the end of the first, second and third quarter of its fiscal year

(a) its financial statements for the quarter,

(b) a completed Form 31-103F1 *Calculation of excess working capital*, showing the calculation of the investment fund manager's excess working capital as at the end of the quarter and as at the end of the immediately preceding quarter, and

(c) a description of any net asset value adjustment made during the quarter.

(3) A description of a net asset value adjustment referred to in this section must include

(a) the cause of the adjustment,

(b) the dollar amount of the adjustment, and

(c) the effect of the adjustment on net asset value per unit or share and any corrections made to purchase and sale transactions affecting either the investment fund or security holders of the investment fund.

Notice of change in year end

4.25 As soon as practicable following a change in a registered firm's fiscal year end, the registered firm must notify the regulator in writing of the firm's new fiscal year end, prior fiscal year end and the reason for the change.

Audit of financial statements and auditor's report

4.26 (1) The annual financial statements delivered to the regulator under this Division must be

(a) prepared in accordance with generally accepted accounting principles, except that the statements are to be prepared on an unconsolidated basis, and

(b) accompanied by an auditor's report that is prepared in accordance with generally accepted auditing standards.

(2) A registrant must not withhold, destroy or conceal any information or documents or otherwise fail to cooperate with a reasonable request made by an auditor of the registered firm in the course of an audit.

Content of financial statements

4.27 The annual financial statements delivered to the regulator under this Division must include

(a) an income statement, a statement of retained earnings and a statement of cash flows, each for the fiscal year, and

(b) a balance sheet as at the end of the fiscal year, signed by at least one director of the registered firm.

PART 5 - CONDUCT RULES

Division 1: Account opening and know-your-client

Application – investment fund managers exempt

5.1 This Division does not apply to an investment fund manager.

Account opening and client documentation

5.2 A registered firm must maintain account opening documentation for each client.

Know-your-client

5.3 (1) A registrant must take reasonable steps to

(a) establish the identity of a client and, where there may be cause for concern, the reputation of the client,

(b) ascertain whether a client is an insider of a reporting issuer,

(c) ensure that it has sufficient personal and financial information about a client to enable it to meet its regulatory obligations when it

(i) makes a recommendation to the client,

(ii) accepts an instruction to trade from the client, or

(iii) makes a discretionary purchase or sale of a security on behalf of the client, and

(d) establish the creditworthiness of a client, if the registered firm is financing the client's acquisition of a security.

(2) A registrant must make reasonable efforts to keep the information required under this section current.

Suitability

5.4 (1) A registrant must take reasonable steps to ensure that before it makes a recommendation to, or accepts instructions from, a client or makes a discretionary purchase or sale of a security on behalf of a client, the proposed purchase or sale is suitable for the client with reference to the client's

(a) financial circumstances,

(b) risk tolerance,

(c) investment knowledge, and

(d) investment needs and objectives.

(2) Despite subsection (1), if a registrant receives an instruction from a client to buy, sell or hold a security that in the registrant's opinion, acting reasonably, would not be suitable for the client, the registrant must not act on the instruction without first informing the client that in the registrant's opinion the transaction is not suitable for the client.

Exception – instructed trades from registrant or financial institution

5.5 Sections 5.3 [*know-your-client*] and 5.4 [*suitability*] do not apply to a registrant that executes a purchase or sale of a security on an instruction from

(a) another registrant,

(b) a Canadian financial institution,

(c) a Schedule III bank, or

(d) in Saskatchewan, an association under the *Co-operative Credit Associations Act*.

Leverage disclosure

5.6 (1) If a registrant believes, after having exercised reasonable diligence, that a client will use borrowed money to finance any part of a purchase of a security, the registrant must not act as principal or agent in the proposed purchase, or recommend the proposed purchase, unless the registrant has

(a) provided the client with a written statement in substantially the following form:

"Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.", and

(b) received a written acknowledgement from the client confirming that the client has read the statement referred to in paragraph (a).

(2) Subsection (1) does not apply if

(a) the registrant received an acknowledgement under paragraph (1)(b) within the six month period prior to the proposed purchase,

(b) the proposed purchase is on margin and the client's margin account is maintained with a registrant that is a member of the IDA or an MFD SRO, or

(c) the client is an accredited investor.

Disclosure for activities in a financial institution

5.7 (1) This section applies only to registrants conducting securities related activities in an office or branch of a Canadian financial institution or a Schedule III bank.

(2) When a registrant opens an account for a client, the registrant must deliver a written disclosure statement that the registrant is a separate entity from the Canadian financial institution or Schedule III bank and, unless otherwise advised by the registrant, securities purchased from or through the registrant

(a) are not insured by a government deposit insurer,

(b) are not guaranteed by the Canadian financial institution or Schedule III bank, and

(c) may fluctuate in value.

(3) When an account is opened, a registrant must obtain an acknowledgement of receipt of the disclosure statement under subsection (2) from the client confirming that the client has read and understood the disclosure statement.

(4) For the purposes of this section, "client" does not include an accredited investor.

Division 2: Relationship Disclosure

Application

5.8 (1) This Division does not apply to an investment fund manager.

(2) This Division does not apply to a registered firm when it is dealing with an accredited investor.

Definition – "relationship disclosure document"

5.9 In this Division, a "relationship disclosure document" means a written statement with the information required under section 5.12 [*content of relationship disclosure document*].

Providing relationship disclosure document

5.10 (1) A registrant must provide a client with a relationship disclosure document before the registrant first

(a) purchases or sells a security for the client, or

(b) advises the client to purchase, sell or hold a security.

(2) If there is a material change to the information in the relationship disclosure document provided to a client under subsection (1), the registrant must notify the client in writing of the change before the registrant next

(a) purchases or sells a security for the client, or

(b) advises the client to purchase, sell or hold a security.

(3) A registrant may notify a client under subsection (2) by providing the client with a

(a) revised relationship disclosure statement, or

(b) written notice describing the material change.

Plain language

5.11 A relationship disclosure document must be prepared using plain language and in a format that assists in readability and comprehension.

Content of relationship disclosure document

5.12 (1) A relationship disclosure document must include the following:

(a) a description of the nature or type of account including, if the registered firm is an adviser, the account's discretionary nature;

(b) if the registered firm is an adviser,

(i) a description of how the firm will ensure that investments made are suitable for the client based on the information provided by the client, and

(ii) a statement that there is no guarantee, implied or otherwise, that the investments made will be successful;

(c) if the registered firm is a dealer, a description of the nature and scope of the firm's obligation to assess whether a purchase or sale of a security is suitable for a client prior to executing the transaction or at any other time;

(d) a discussion that identifies which products or services offered by the registered firm will meet the client's investment objectives and how they will do so;

(e) if the registered firm is an adviser, a discussion of investment risk factors and types of risks that should be considered by the client when deciding to invest using an adviser;

(f) a discussion of investment risk factors and types of risks that should be considered by the client when making an investment decision;

(g) a description of the conflicts of interest that the registered firm is required to disclose under securities legislation;

(h) disclosure of all service fees and charges in respect of the operation of the client's accounts;

(i) a description of the costs the client will pay in making and holding investments and the compensation paid to the registered firm in relation to the different types of products that the client may purchase through the registered firm;

(j) if the registered firm is an adviser and a sub-adviser is associated with a fully-managed account product or service, information about the role of the sub-adviser and the sub-adviser's relationship to the client;

(k) a description of the content and frequency of reporting for each account or portfolio;

(l) information about how the client can contact the firm.

(2) A client's relationship disclosure document must contain the information a registered firm is required to collect about the client under section 5.3 [*know-your-client*].

Division 3: Client assets

Securities, cash and other property

5.13 (1) A registered firm that holds securities or other property of a client must hold the securities or property separate and apart from its own property and in trust for the client.

(2) A registered firm that holds cash on behalf of a client must hold the cash separate and apart from the property of the firm in a designated trust account with

(a) a Canadian financial institution,

(b) a Schedule III bank, or

(c) in Saskatchewan, an association under the *Co-operative Credit Associations Act*.

Securities subject to safekeeping agreement

5.14 A registered firm that holds unencumbered securities for a client under a written safekeeping agreement must

(a) segregate the securities from all other securities,

(b) identify the securities as being held in safekeeping for the client in

(i) the registrant's security position record,

(ii) the client's ledger, and

(iii) the client's statement of account, and

(c) release the securities only on an instruction from the client.

Securities not subject to safekeeping agreement

5.15 (1) A registered firm that holds unencumbered securities for a client that are either fully paid for or are excess margin securities, but that are not held under a written safekeeping agreement, must

(a) segregate and identify the securities as being held in trust for the client, and

(b) describe the securities as being held in segregation on

(i) the registrant's security position record,

(ii) the client's ledger, and

(iii) the client's statement of account.

(2) If a client is indebted to a registered firm, the registered firm may sell or lend the securities described in subsection (1), but only to the extent reasonably necessary to cover the indebtedness.

(3) Securities described in subsection (1) may be segregated in bulk.

Reduction of debit balances

5.16 (1) In this section "free credit balance"

(a) includes money received from, or held for the account of, clients by a registrant,

(i) for investment pending the investment and payment for securities purchased by the clients from or through the registrant where the registrant does not own such securities at the time of purchase or has not purchased them on behalf of the clients, pending the purchase thereof by the registrant, and

(ii) as proceeds of securities purchased from clients or sold by the registrant for the account of clients where securities have been delivered to the registrant but payment has not been made pending payment of such proceeds to the clients; and

(b) does not include money that is committed to be used on a specific settlement date as payment for securities if the registrant who maintains the securities account prepares financial statements on a settlement date basis.

(2) If a registrant maintains two or more accounts for a client, one of which is a derivatives account that contains a debit balance of more than $5,000, the registrant must transfer from any account containing a free credit balance as much of the free credit balance as is necessary to eliminate, or reduce to the greatest extent possible, the debit balance in the derivatives account.

(3) Subsection (2) does not apply to a registrant in respect of a client's securities and derivatives accounts if the client has given directions to the registrant in writing, or orally if subsequently confirmed in writing,

(a) to transfer an amount that is less than the amount otherwise required to be transferred; or

(b) not to transfer any amount from the securities account to the derivatives account.

(4) A registrant who maintains a securities account and a derivatives account for the same client may make a transfer of any amount of a free credit balance from the securities account to the derivatives account, or, from the derivatives account to the securities account of the client if

(a) the transfer is made in accordance with a written agreement between the registrant and the client; and

(b) the transfer is not a transfer referred to in subsections (2) and (3).

Margin

5.17 A registrant must not lend or extend credit to a client or permit the purchase of securities by a client on margin.

Accounts supervision

5.18 A registered adviser must ensure that the account of each client is supervised separately and distinctly from the accounts of other clients.

Division 4: Record-keeping

Records – general requirements

5.19 (1) A registered firm must maintain records to

(a) accurately record its business activities, financial affairs, and client transactions, and

(b) demonstrate compliance with applicable requirements of securities legislation.

(2) Such records must include, but are not limited to, records that

(a) permit timely creation and audit of financial statements and other financial information required to be filed or delivered to the securities regulatory authority;

(b) permit determination of the registered firm's capital position;

(c) demonstrate compliance with the registered firm's capital and insurance requirements;

(d) demonstrate compliance with internal control procedures;

(e) demonstrate compliance with the firm's policies and procedures;

(f) permit the identification and segregation of client cash, securities, and other property;

(g) identify all transactions conducted on behalf of the registered firm and each of its clients, including the parties to the transaction and the terms of the purchase or sale;

(h) provide an audit trail for

(i) client instructions and orders, and

(ii) each trade transmitted or executed for a client or by the registered firm on its own behalf;

(i) permit creation of account activity reports for clients;

(j) provide securities pricing as may be required by securities legislation;

(k) demonstrate compliance with client account opening requirements;

(l) evidence correspondence with clients; and

(m) evidence compliance and supervision actions taken by the firm.

Records – form, accessibility and retention

5.20 (1) A registered firm must keep its records safe and in a durable form.

(2) For a period of two years after the creation of a record, a registered firm must keep the record in a manner that permits it to be provided promptly to the regulator, and thereafter the record may be kept in a manner that permits it to be provided to the regulator in a reasonable period of time.

(3) A record provided under subsection (2) must be in a form that is capable of being read by the regulator.

(4) A registered firm must keep

(a) an activity record for seven years from the date of the act, and

(b) a relationship record for seven years from the date the person or company ceases to be a client of the registered firm.

Division 5: Account activity reporting

Confirmation of trade – general

5.21 (1) Subject to subsection (2), a registered dealer that has acted on behalf of a client in connection with a trade or series of trades in a security must promptly send or deliver to the client, or to the registered adviser acting for the client if the client consents, a written confirmation of the transaction, setting out,

(a) the quantity and description of the security traded,

(b) the consideration,

(c) the commission, sales charge, service charge and any other amount charged in respect of the trade,

(d) whether the registered dealer is acting as principal or agent,

(e) the date and the name of the marketplace, if any, on which the transaction took place, or if applicable, a statement that the transaction took place on more than one marketplace,

(f) the name of the dealing representative, if any, in the transaction,

(g) the settlement date of the trade, and

(h) if applicable, that the security is a security of the registrant, a security of a related issuer of the registrant or, in the course of a distribution, a security of a connected issuer of the registrant.

(2) If the transaction involved more than one trade or if the transaction took place on more than one marketplace the information referred to in subsection (1) above may be set out in the aggregate if the confirmation also contains a statement that additional details concerning the transaction will be provided to the client upon request and without additional charge.

(3) If a trade is made in a security of a mutual fund, scholarship plan, educational plan or educational trust, the confirmation required under subsection (1) must contain, in addition to the requirements of subsection (1), the price per share or unit at which the trade was effected.

(4) Paragraph (1)(h) does not apply if the security is a security of a mutual fund that is an affiliate of the registered dealer and the names of the dealer and the fund are sufficiently similar to disclose that they are affiliated.

(5) For the purpose of paragraph (1)(f), a dealing representative may be identified by means of a code or symbol if the confirmation also contains a statement that the name of the dealing representative will be provided to the client on request of the client.

Reporting trades otherwise

5.22 (1) If a registered firm sends to a client a report, other than a confirmation under section 5.21 [*confirmation of trade – general*], of a trade in a security that the registered firm made with or on behalf of the client, including a report of a trade made by or at the direction of a registrant that is managing the investment portfolio of the client through discretionary authority granted by the client, the report must state, if applicable, that the security is a security of the registered firm, a security of a related issuer of the registered firm or, in the course of a distribution, a security of a connected issuer of the registered firm.

(2) Subsection (1) does not apply if the security is a security of a mutual fund that is an affiliate of the registered firm and the names of the registered firm and the fund are sufficiently similar to disclose that they are affiliated.

Semi-annual confirmations for certain automatic plans

5.23 Despite the requirement under section 5.21 [*confirmation of trade – general*] to send a confirmation promptly, a registered dealer may send the information referred to in that section semi-annually if,

(a) the information is with respect to trades in a security of a mutual fund, scholarship plan, educational plan or educational trust,

(b) the client notified the dealer in writing that the trades will be made at least once a month under the client's participation in an automatic payment plan or an automatic withdrawal plan, and

(c) after receiving the notice referred to under paragraph (b), the registered dealer sent one confirmation to the client promptly.

Confirmation of trade – exemption

5.24 A registered dealer is not required to send to a client a written confirmation of a trade in a security of a mutual fund if the investment fund manager of the mutual fund sends the client a written confirmation containing the information required to be sent under section 5.21 [*confirmation of trade – general*].

Statements of account and portfolio

5.25 (1) A registered dealer must send a statement of account to each client not less than once every three months showing any debit or credit balance and the details of securities held for or owned by the client, unless the client has requested statements on a more frequent basis in which case the registered dealer must send statements on the basis requested by the client.

(2) The statement required by subsection (1) must list the securities held for the client and indicate clearly which securities are held for safekeeping or in segregation.

(3) Subject to subsection (4), a registered adviser must send to each client not less than once every three months, a statement of the portfolio of the client under the registered adviser's management, unless the client has requested statements on a more frequent basis in which case the registered adviser must send statements on the basis requested by the client.

(4) If a client has provided the consent referred to in subsection 5.21(1) [*confirmation of trade – general*], the registered adviser must send to the client not less than once every month, a statement of the portfolio of the client under the registered adviser's management.

Division 6: Compliance

Compliance system

5.26 (1) A registered firm must establish, maintain and enforce a system of controls and supervision designed to

(a) achieve compliance with securities legislation, and

(b) manage the risks associated with its business in conformity with prudent business practices.

(2) The system of controls referred to in subsection (1) must be documented in the form of written policies and procedures.

Reporting to board or partnership

5.27 The chief compliance officer must report directly to the board of directors or partnership as necessary and at least once annually concerning the registered firm’s compliance with securities legislation.

Access to board or partnership

5.28 A registered firm must permit its ultimate designated person and its chief compliance officer to directly access the board of directors or partnership at such times as either of them may independently deem necessary or advisable in view of his or her responsibilities.

Division 7: Complaint handling

Complaints

5.29 A registered firm must document, and effectively and fairly deal with, each complaint made to the registered firm about one of its products or services.

Dispute resolution service

5.30 (1) A registered firm must participate in a dispute resolution service.

(2) If a person or company makes a complaint to a registered firm about one of its products or services, the registered firm must as soon as practicable

(a) notify the person or company of the dispute resolution service that is available to mediate the dispute, and

(b) inform the person or company of how the person or company can use the dispute resolution service.

Policies and procedures on complaint handling

5.31 A registered firm must have policies and procedures on

(a) recording and examining a complaint made by a person or company having an interest in a product or service it has provided, and

(b) resolving disputes about products or services it has provided.

Reporting to the regulator or securities regulatory authority

5.32 A registered firm must, within two months of the end of its fiscal year or on any other date determined by the regulator or the securities regulatory authority, submit to the latter a report concerning the policies it has established under section 5.29 [*complaints*] that includes the number and nature of the complaints filed as at the end of its fiscal year, or as of the date determined by the regulator or the securities regulatory authority, as applicable.

Division 8: Non-resident registrants

Application to non-residents

5.33 This Division does not apply to a registrant unless the registrant is a non-resident.

Notice to clients

5.34 A registrant must provide to each of his, her, or its clients in the jurisdiction

(a) a statement in writing disclosing the non-resident status of the registrant,

(b) the registrant's jurisdiction of residence,

(c) the name and address of the agent for service of process of the registrant in the jurisdiction, and

(d) the nature of risks to clients that legal rights may not be enforceable in the jurisdiction.

Custody of assets

5.35 All securities, cash, and other property of clients of a registered firm in the jurisdiction must be held

(a) directly by the client,

(b) on behalf of the client by a custodian or sub-custodian that

(i) meets the guidelines prescribed for acting as a sub-custodian of the portfolio securities of a mutual fund in Part 6 of National Instrument 81-102 *Mutual Funds*, and

(ii) is subject to the Bank for International Settlements' framework for international convergence of capital measurement and capital standards, or

(c) on behalf of the client by a registered dealer that is a member of an SRO that is a member of CIPF or other comparable compensation fund or contingency trust fund.

Compliance with requests

5.36 A registered firm and each of its registered individuals must comply with requests under the securities regulatory authority's investigation powers and orders under the securities legislation in the jurisdiction in relation to the firm's dealings with clients in the jurisdiction to the extent those powers and orders would be enforceable against the firm if the firm were resident in the jurisdiction.

Maintain registration in home jurisdiction

5.37 A registered firm must, in the foreign jurisdiction or jurisdiction in Canada in which its head office is located,

(a) maintain registration or regulatory organization membership that is appropriate for the business being carried out in the local jurisdiction, if and where applicable, and

(b) continue to engage in the business for which the registration or membership is required.

PART 6 - CONFLICTS

Division 1: General

Conflicts management obligations

6.1 (1) A registered firm must identify each potential and actual conflict of interest

(a) within the registered firm,

(b) with other entities,

(c) with a client, and

(d) between clients.

(2) A registered firm must deal with a conflict of interest identified under subsection (1)

(a) in a fair, equitable and transparent manner, and

(b) exercising responsible business judgment influenced only by the best interest of the client or clients.

(3) A registered firm must provide prior written disclosure of a conflict of interest to a client when there is a reasonable likelihood that the client would consider the conflict important when entering into a proposed transaction.

Prohibition on certain managed account transactions

6.2 (1) In this section, "responsible person" means, for a registered adviser,

(a) the adviser,

(b) every individual who is a partner, director or officer of the adviser,

(c) every individual who is an employee or agent of the adviser, if the individual

(i) has access to, or participates in formulating, an investment decision to be made on behalf of a client of the adviser, or

(ii) has access to, or participates in formulating, advice to be given to a client of the adviser,

(d) every affiliate and associate of the adviser, and

(e) every individual who is a partner, director, officer or employee of an affiliate or associate of the adviser, if the individual

(i) has access to, or participates in formulating, an investment decision to be made on behalf of a client of the adviser, or

(ii) has access to, or participates in formulating, advice to be given to a client of the adviser.

(2) A registered adviser must not cause a fully-managed account or an investment portfolio managed by it to

(a) purchase a security of an issuer

(i) in which a responsible person of the adviser or an associate of a responsible person of the adviser is a partner, officer or director,

(ii) that is a related issuer of the adviser, or

(iii) that is a connected issuer of the adviser, during a distribution,

unless

(iv) at any time prior to the purchase, the client consented in writing to the purchase, or

(v) the client is a dealer or related issuer of the adviser;

(b) purchase or sell a security from or to the account of a responsible person of the adviser; or

(c) provide a guarantee or loan to a responsible person of the adviser.

Registrant relationships

6.3 (1) An individual registered as a dealing, advising or associate advising representative of a registered firm must not be registered as a dealing, advising or associate advising representative of another registered firm that is not an affiliate of the first-mentioned registered firm.

(2) An individual registered as a dealing, advising or associate advising representative of a registered firm must not act as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned registered firm.

Issuer disclosure statement

6.4 (1) If a registrant is prepared to act as an adviser or dealer in respect of securities of a related issuer or, in the course of a distribution, a connected issuer of the registrant, the registered firm must maintain an issuer disclosure statement that contains

(a) a list of the related issuers and, in the course of a distribution, connected issuers of the registrant, and

(b) a concise statement of the relationship between the registrant and each of the related and connected issuers referred to in paragraph (a).

(2) A registrant must provide a client with a current issuer disclosure document before the registrant first

(a) purchases or sells a security of an issuer listed in the current issuer disclosure statement for the client, or

(b) advises the client to purchase, sell or hold a security of an issuer listed in the current issuer disclosure statement.

(3) If there is a material change to the information required under subsection (1), the registrant must notify a client in writing of the change before the registrant next

(a) purchases or sells a security of an issuer listed in the revised issuer disclosure statement for the client, or

(b) advises the client to purchase, sell or hold a security of an issuer listed in the revised issuer disclosure statement.

(4) A registrant may notify a client under subsection (3) by providing the client with

(a) a revised issuer disclosure statement, or

(b) a written notice describing the material change.

(5) This section does not apply

(a) in respect of dealing or advising in a security of a mutual fund that is an affiliate of the registered firm and the names of the registered firm and the fund are sufficiently similar to disclose that they are affiliated,

(b) in respect of a client to whom the dealer does not provide advice, or

(c) if the client is a related issuer of the registrant or a dealer that is dealing as principal.

(6) This section does not apply to an investment fund manager.

Research recommendations

6.5 A registrant must not make a recommendation or cooperate in making a recommendation in any medium of communication to buy, sell or hold its own securities, securities of a related issuer or, in the course of a distribution, securities of a connected issuer, unless the recommendation

(a) is in a publication that

(i) is published or distributed by the registrant regularly in the ordinary course of its business, and

(ii) includes in a conspicuous position and large type, a complete statement of the relationship or connection between the registrant and the issuer,

(b) is made by an underwriter if the provisions of National Instrument 33-105 *Underwriting Conflicts* are otherwise followed; or

(c) relates to the registrant dealing or advising in a security of a mutual fund that is an affiliate of the registered firm and the names of the registered firm and the fund are sufficiently similar to disclose that they are affiliated.

Fairness in allocation of investment opportunities

6.6 A registered adviser must

(a) ensure fairness in allocating investment opportunities among its clients, and

(b) provide a copy of the related written policies required under section 5.26 [compliance system] to a client

(i) before first advising the client to purchase, sell or hold a security, and

(ii) if there is a material change to the related written policies last provided to the client, before next advising the client to purchase, sell or hold a security.

Acquisition of securities or assets of a registrant

6.7 (1) A person or company must give prior written notice to the regulator of the direct or indirect acquisition of

(a) beneficial ownership of, or control or direction over,

(i) ten per cent or more of the securities of a registrant; and

(ii) any increase thereafter of more than 5 per cent of the outstanding securities of the registrant; and

(b) a substantial part of the assets of a registrant.

(2) The notice in subsection (1) must

(a) be filed with the regulator at least 30 days before the acquisition; and

(b) include all relevant facts to permit the regulator to determine if the acquisition

(i) is likely to give rise to conflicts of interest;

(ii) is likely to hinder the registrant in complying with the conditions of registration applicable to it;

(iii) is inconsistent with an adequate level of investor protection; or

(iv) is otherwise prejudicial to the public interest.

(3) If the regulator gives written notice of objection to the acquisition within 30 days of the regulator's receipt of a notice under subsection (1), the acquisition shall not occur until the regulator approves it.

(4) Following receipt of a notice of objection under subsection (3), the person or company who submitted the notice to the regulator may request the regulator to hold a hearing on the matter.

(5) Subsection (1) does not apply to an acquisition by a registrant in the ordinary course of its business of dealing in securities.

Underwriting conflicts

6.8 An individual registered as a dealing, advising or associate advising representative must not act on behalf of a registered firm in a transaction of the registered firm unless the individual complies with National Instrument 33-105 *Underwriting Conflicts* and this Instrument.

Settling securities transactions

6.9 No registrant shall require a person or company to settle that person's or company's transaction with the registrant through that person's or company's account at a Canadian financial institution as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying a product or service, unless this method of settlement is reasonably necessary to provide the specific product or service that the person or company has requested.

Tied selling

6.10 No person or company shall require another person or company

(a) to invest in particular securities, either as a condition or on terms that would appear to a reasonable person to be a condition, of supplying or continuing to supply products or services; or

(b) to purchase or use any products or services, either as a condition or on terms that would appear to a reasonable person to be a condition, of selling particular securities.

Division 2: Referral arrangements

Definitions – referral arrangements

6.11 For the purposes of this section to section 6.15 [*application and transition to prior referral arrangements*]

"client" includes a prospective client;

"referral arrangement" means any arrangement in which a registrant agrees to pay or receive a referral fee; and

"referral fee" means any form of compensation, direct or indirect, paid for the referral of a client to or from a registrant.

Permitted referral arrangements

6.12 A registrant must not participate in a referral arrangement unless,

(a) before a client is referred by or to the registrant, the terms of the referral arrangement are set out in a written agreement between

(i) the registrant,

(ii) the person or company making or receiving the referral, and

(iii) if the registrant is a registered individual, the registered firm on whose behalf the registered individual acts,

(b) the registrant or, if the registrant acts on behalf of a registered firm, the registered firm, records all referral fees on its records, and

(c) the registrant ensures that the information prescribed by subsection 6.13(1) [*disclosing referral arrangements to clients*] is provided to the client in writing before the earlier of opening the client's account or any services are provided to the client under the referral arrangement.

Disclosing referral arrangements to clients

6.13 (1) Written disclosure of the referral arrangement as required by subsection 6.12(c) [*permitted referral arrangements*] must include the following:

(a) the name of each party to the referral arrangement;

(b) the purpose and material terms of the referral arrangement, including the nature of the services to be provided by each party;

(c) any conflicts of interest resulting from the relationship between the parties to the referral arrangement and from any other element of the referral arrangement;

(d) the method of calculating the referral fee and, to the extent possible, the amount of the fee;

(e) the category of registration of each registrant that is a party to the agreement with a description of the activities that the registrant is authorized to engage in under that category and, giving consideration to the nature of the referral, the activities that the registrant is not permitted to engage in;

(f) if a referral is made to a registrant, a statement that all activity requiring registration resulting from the referral arrangement will be provided by the registrant receiving the referral; and

(g) any other information that a reasonable client would consider important in evaluating the referral arrangement.

(2) If there is a change to the information set out in subsection (1), the registrant must ensure that written disclosure of that change is provided to each client affected by the change promptly but no later than 30 days before the next payment or receipt of any referral fee.

Reasonable diligence when referring clients

6.14 A registrant that refers a client to another person or company must take reasonable steps to satisfy itself that the person or company has the appropriate qualifications to provide the services, and if applicable, is registered to provide those services.

Application and transition to prior referral arrangements

6.15 (1) Sections 6.12 [*permitted referral arrangements*] to 6.14 [*reasonable diligence when referring clients*] apply to a referral arrangement entered into before this Instrument came into force if a referral fee is paid under the referral arrangement after this Instrument comes into force.

(2) Subsection (1) does not apply until the 120th day after this Instrument comes into force.

PART 7 - SUSPENSION AND REVOCATION OF REGISTRATION

Activities prohibited when suspended

7.1 A registrant that is suspended must not

(a) deal in securities,

(b) advise in respect of securities, or

(c) manage an investment fund.

Suspension of registered firm

7.2 If a registered firm is suspended, each registered dealing, advising or associate advising representative of the firm is suspended.

Suspension of SRO approval

7.3 (1) If the IDA or an MFD SRO revokes or suspends a registered firm's membership, the firm's registration is suspended.

(2) If the IDA or an MFD SRO revokes or suspends an individual's approval, the individual's registration is suspended.

Failure to pay fees

7.4 A registered firm is suspended on the 30th day after the day its annual fees were due if

(a) the firm has not paid its annual fees, and

(b) the regulator has notified the firm of its failure to pay.

Termination of employment, etc.

7.5 The registration of a registered individual who ceases to have an employment, partnership or agency relationship with a registered firm is suspended on the date the relationship ceased.

Reinstatement

7.6 The registration of an individual suspended under this Part, other than under subsection 7.3(2), is reinstated on the date the individual submits a completed Form 33-109F4 *Application for registration of individuals and permitted individuals* in accordance with National Instrument 31-102 *National Registration Database* if

(a) the Form 33-109F4 is submitted on or before the 90th day after the suspension,

(b) the individual is applying to be reinstated in the same category of registration in which the individual was registered at the time of the suspension, and

(c) the registered firm sponsoring the individual's application is registered in the same category of registration in which the individual's former sponsoring firm was registered.

Revocation of registration

7.7 If a registration has been suspended under this Part and it has not been reinstated, the registration is revoked on the second anniversary following the suspension.

Exception – hearing

7.8 Despite sections 7.6 [*reinstatement*] and 7.7 [*revocation of registration*], if a hearing concerning a suspended registrant is commenced under the Act, the registration remains suspended until a decision has been made by the securities regulatory authority.

PART 8 - INFORMATION SHARING

Firms' obligation to share information

8.1 (1) On request, a registered firm must disclose, to another registered firm that is considering whether to employ, retain as agent, or accept as a partner a person, all information in its possession or of which it is aware that is relevant to the person's conduct or to an assessment of the person's suitability as a registered individual or that is material to the hiring of the person by the registrant.

(2) Except as otherwise permitted by law, a registrant that collects information under this section must not use the information for any purpose other than

(a) making a decision to hire, or terminate the services of the person; or

(b) managing the person.

(3) A registrant that collects information under this section must not disclose the information except

(a) pursuant to subsection (1),

(b) to a regulator or its delegate,

(c) to a marketplace, self-regulatory organization or regulatory organization, if the registrant is a regulated person of the marketplace, self-regulatory organization or regulatory organization,

(d) to a person empowered by the laws of a Canadian or foreign jurisdiction to regulate financial services, or

(e) if required or permitted by law.

PART 9 - EXEMPTIONS FROM REGISTRATION

Division 1: General

Definitions

9.1 In this Division, each of the following terms has the same meaning ascribed to the term in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*: "director", "executive officer", "person" and "subsidiary".

Investment fund distributing through dealer

9.2 The dealer registration requirement does not apply to an investment fund or the manager of the fund that distributes a security of the investment fund's own issue solely through a registered dealer.

Investment fund reinvestment

9.3 (1) Subject to subsections (3), (4) and (5), the dealer registration requirement does not apply to an investment fund or the manager of the fund dealing in securities with a security holder of the investment fund where the dealing is permitted by a plan of the investment fund and is in a security of the investment fund's own issue if

(a) dividends or distributions out of earnings, surplus, capital or other sources payable in respect of the investments fund's securities are applied to the purchase of the security that is of the same class or series as the securities to which the dividends or distributions out of earnings, surplus, capital or other sources are attributable, or

(b) subject to subsection (2), the security holder makes optional cash payments to purchase the security of the investment fund that is of the same class or series of securities described in paragraph (a) that trade on a marketplace.

(2) The aggregate number of securities issued under the optional cash payment referred to in paragraph (1)(b) must not exceed, in any fiscal year of the investment fund during which the transaction takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the fiscal year.

(3) A plan that permits a transaction described in subsection (1) must be available to every security holder in Canada to which the dividend or distribution is available.

(4) No sales charge is payable on a transaction described in subsection (1).

(5) The most recent prospectus of the investment fund, if any, must set out

(a) details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of the security;

(b) any right that the security holder has to make an election to receive cash instead of securities on the payment of a dividend or making of a distribution by the investment fund; and

(c) instructions on how the right referred to in paragraph (b) can be exercised.

Additional investment in investment funds

9.4 The dealer registration requirement does not apply to an investment fund or the manager of the fund dealing in a security of the investment fund's own issue with a security holder of the investment fund if

(a) the security holder initially acquired securities of the investment fund as principal for an acquisition cost of not less than $150,000 paid in cash at the time of the acquisition;

(b) the subsequent dealing is for a security of the same class or series as the security initially acquired; and

(c) the security holder, as at the date of the subsequent dealing, holds securities of the investment fund that have

(i) an acquisition cost of not less than $150,000, or

(ii) a net asset value of not less than $150,000.

Private investment fund - loan and trust pools

9.5 (1) The dealer registration requirement does not apply in respect of dealing in a security of an investment fund if the investment fund

(a) is administered by a trust company or trust corporation that is registered or authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(b) has no promoter or manager other than the trust company or trust corporation referred to in paragraph (a), and

(c) co-mingles the money of different estates and trusts for the purpose of facilitating investment.

(2) Despite subsection (1), a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada is not a trust company or trust corporation for the purpose of paragraph (1)(a).

(3) The investment fund manager registration requirement does not apply to a trust company or trust corporation that manages an investment fund referred to in subsection (1).

Mortgages

9.6 (1) In this section, "syndicated mortgage" means a mortgage in which two or more persons participate, directly or indirectly, as a lender in a debt obligation that is secured by a mortgage.

(2) Subject to subsection (3), the dealer registration requirement does not apply in respect of dealing in a mortgage on real property in a jurisdiction by a person who is registered or licensed, or exempted from registration or licensing, under mortgage brokerage or mortgage dealer legislation of that jurisdiction.

(3) In British Columbia, Manitoba, Québec and Saskatchewan, subsection (2) does not apply to dealing in a syndicated mortgage.

Personal Property Security Act

9.7 The dealer registration requirement does not apply in respect of dealing in a security evidencing indebtedness secured by or under a security agreement provided for under personal property security legislation of a jurisdiction providing for the acquisition of personal property if the security is not offered for sale to an individual.

Variable insurance contract

9.8 (1) In this section,

"contract", "group insurance", "insurance company", "life insurance" and "policy" have the respective meanings assigned to them in the legislation for a jurisdiction referenced in Appendix A of National Instrument 45-106 *Prospectus and Registration Exemption*s; and

"variable insurance contract" means a contract of life insurance under which the interest of the purchaser is valued for purposes of conversion or surrender by reference to the value of a proportionate interest in a specified portfolio of assets.

(2) The dealer registration requirement does not apply in respect of dealing in a variable insurance contract by an insurance company if the variable insurance contract is

(a) a contract of group insurance;

(b) a whole life insurance contract providing for the payment at maturity of an amount not less than 75% of the premium paid up to age 75 years for a benefit payable at maturity;

(c) an arrangement for the investment of policy dividends and policy proceeds in a separate and distinct fund to which contributions are made only from policy dividends and policy proceeds; or

(d) a variable life annuity.

Schedule III banks and cooperative associations - evidence of deposit

9.9 The dealer registration requirement does not apply in respect of dealing in an evidence of deposit issued by a Schedule III bank or an association governed by the *Cooperative Credit Associations Act* (Canada).

Plan administrators

9.10 (1) The dealer registration requirement does not apply to dealing in securities of an issuer by a trustee, custodian, or administrator acting on behalf of, or for the benefit of employees, executive officers, directors or consultants of the issuer or of a related entity of the issuer with

(a) the issuer,

(b) a current or former employee, executive officer, director or consultant of the issuer or a related entity of the issuer,

(c) a permitted assign of a person referred to in paragraph (b),

if the dealing in securities is pursuant to a plan of the issuer and the securities are obtained directly from the issuer or from a current or former employee, executive officer, director or consultant of the issuer or of a related entity of the issuer or through a registered dealer.

(2) In this section,

"consultant" has the same meaning as in section 2.22 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"permitted assign" has the same meaning as in section 2.22 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"plan" means a plan or program established or maintained by an issuer providing for the acquisition of securities of the issuer by employees, executive officers, directors or consultants of the issuer or of a related entity of the issuer; and

"related entity" has the same meaning as in section 2.22 of National Instrument 45-106 *Prospectus and Registration Exemptions*.

Adviser

9.11 The adviser registration requirement does not apply to the following persons if performance of services as an adviser is incidental to their principal business:

(a) a Canadian financial institution and a Schedule III bank;

(b) the Business Development Bank of Canada continued under the *Business Development Bank of Canada Act* (Canada); or

(c) a société d'entraide économique or the Fédération des sociétés d'entraide économique du Québec governed by the *Act respecting the sociétés d'entraide économique (*Québec).

Advising generally

9.12 The adviser registration requirement does not apply to a person or company that holds himself, herself or itself out as engaging in the business of advising others either through direct advice or through publications or writings, as to the investing in or the buying or selling of specific securities, not purporting to be tailored to the needs of specific clients.

International dealer

9.13 (1) In this section

"debt security" has the same meaning as in section 1.1 of National Instrument 45-106 *Prospectus and Registration Exemptions*;

"foreign security" means

(a) a security issued by an issuer incorporated, formed or created under the laws of a jurisdiction other than Canada or any province or territory of Canada,

(b) a security issued by a country other than Canada or by any political division of the country, and

(c) a security that is not listed or traded on a marketplace in Canada;

"international dealer" means a dealer that

(a) has no establishment in Canada or officers, employees or agents resident in Canada, and

(b) is registered under the securities legislation of the jurisdiction in which its head office or principal place of business is located in a category of registration that permits the dealer to carry on the activities in that jurisdiction that registration as a dealer would permit the dealer to carry on in the local jurisdiction; and

"permitted international dealer client" means

(a) a Canadian financial institution or a Schedule III bank;

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);

(c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

(d) a person registered under the securities legislation of a jurisdiction in Canada as an adviser or dealer, other than a scholarship plan dealer or a restricted dealer;

(e) the Government of Canada or a jurisdiction in Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;

(f) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

(g) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;

(h) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully-managed account managed by the trust company or trust corporation, as the case may be;

(i) a person acting on behalf of a fully-managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; or

(j) an investment fund that is advised by a person registered as an portfolio manager under the securities legislation of a jurisdiction in Canada.

(2) Subject to subsection (3), the registration requirement does not apply to an international dealer

(a) carrying on those activities, other than sales of securities, that are reasonably necessary to facilitate a distribution of securities that are offered primarily abroad;

(b) dealing in debt securities with a permitted international dealer client in the course of a distribution, where the debt securities are offered primarily abroad and a prospectus has not been filed with a Canadian securities regulatory authority for the distribution;

(c) dealing in a debt security that is a foreign security with a permitted international dealer client, other than in the course of the distribution by which the foreign debt security was issued;

(d) dealing in foreign securities with a permitted international dealer client, except in the course of a distribution for which a prospectus has been filed with a Canadian securities regulatory authority; or

(e) dealing with an investment dealer acting as principal in any securities

where the international dealer is acting as principal or as agent for the issuer of the securities, for another permitted international dealer client, or for a person that is not a resident of Canada.

(3) An international dealer may not rely on subsection (2) unless it

(a) has delivered to the securities regulatory authority an executed Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service*, and

(b) before dealing with a permitted international dealer client, notifies the client,

(i) that it is not registered in Canada,

(ii) of the international dealer's jurisdiction of residence,

(iii) of the name and address of the agent for service of process of the international dealer in the local jurisdiction, and

(iv) that there may be difficulty enforcing legal rights against the international dealer because it is resident outside Canada and all or substantially all of its assets are situated outside Canada

International portfolio manager

9.14 (1) In this section

"international portfolio manager" means a portfolio manager that

(a) has no establishment in Canada or officers, employees or agents resident in Canada,

(b) is registered under the securities legislation of the jurisdiction in which its head office or principal place of business is located in a category of registration that permits it to carry on the activities in that jurisdiction that registration as a portfolio manager would permit it to carry on in the local jurisdiction, and

(c) engages in the business of a portfolio manager in the jurisdiction in which its head office or principal place of business is located; and

"permitted international portfolio manager client" means

(a) a Canadian financial institution or a Schedule III bank;

(b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);

(c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

(d) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;

(e) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

(f) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada; and

(g) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully-managed account managed by the trust company or trust corporation, as the case may be.

(2) The registration requirement does not apply to an international portfolio manager that is acting as a portfolio manager for a permitted international portfolio manager client provided that it

(a) delivers to the securities regulatory authority, before relying on this subsection, an executed Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service*;

(b) does not solicit new clients in Canada;

(c) notifies the client, before advising the client,

(i) that it is not registered in Canada,

(ii) of the international portfolio manager's jurisdiction of residence,

(iii) of the name and address of the agent for service of process of the international portfolio manager in the local jurisdiction, and

(iv) that there may be difficulty enforcing legal rights against the international portfolio manager because it is resident outside Canada and all or substantially all of its assets are situated outside Canada;

(d) does not advise clients in Canada with respect to securities of Canadian issuers, unless providing advice on securities of a Canadian issuer is incidental to providing advice on securities of a foreign issuer;

(e) derives not more than 10% of the aggregate consolidated gross revenue of the international portfolio manager and its affiliates or affiliated partnerships for any fiscal year of the international adviser from portfolio management activities of the international portfolio manager and its affiliates or affiliated partnerships in Canada.

Privately placed funds offered primarily abroad

9.15 (1) In this section "international portfolio manager" means a portfolio manager that

(a) has no establishment in Canada or officers, employees or agents resident in Canada, and

(b) engages in the business of a portfolio manager in the jurisdiction in which its head office or principal place of business is located.

(2) The registration requirement does not apply to an international portfolio manager that is acting as an adviser to an investment fund if

(a) the securities of the fund are primarily offered outside of Canada,

(b) the securities of the fund are only distributed in the local jurisdiction through one or more registrants,

(c) the securities of the fund are distributed in the local jurisdiction in reliance upon an exemption from the prospectus requirement, and

(d) the international portfolio manager notifies the client, before advising the client,

(i) that it is not registered in Canada,

(ii) the international portfolio manager's jurisdiction of residence,

(iii) of the name and address of the agent for service of process of the registrant in the local jurisdiction, and

(iv) that there may be difficulty enforcing legal rights against the international portfolio manager because it is resident outside Canada and all or substantially all of its assets are situated outside Canada.

International investment fund manager

9.16 (1) In this section "international investment fund manager" means a investment fund manager that

(a) has no establishment in Canada or officers, employees or agents resident in Canada, and

(b) engages in the business of a portfolio manager in the jurisdiction in which its head office or principal place of business is located.

(2) The registration requirement does not apply to an international investment fund manager that is managing an investment fund whose securities are

(a) primarily offered outside of Canada,

(b) only distributed in the local jurisdiction through one or more registrants, and

(c) distributed in the local jurisdiction in reliance upon an exemption from the prospectus requirement.

Sub-advisers

9.17 The adviser registration requirement does not apply to a person or company, not ordinarily resident in the jurisdiction, in connection with that person or company acting as an adviser for a registered adviser, or for a dealer acting as a portfolio manager as permitted by section 2.5 [*exemption from adviser registration for IDA members with discretionary authority*], if

(a) the obligations and duties of the person or company so acting as an adviser are set out in a written agreement with the registrant;

(b) the registrant contractually agrees with its clients on whose behalf investment advice is or portfolio management services are to be provided to be responsible for any loss that arises out of the failure of the person or company so acting as an adviser

(i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the registrant and each client of the registrant for whose benefit the advice is or portfolio management services are to be provided, or

(ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

(c) the registrant cannot be relieved by its clients from its responsibility for loss under paragraph (b);

(d) the person or company so acting as an adviser, if a resident of a jurisdiction, is registered as an adviser in the jurisdiction;

(e) the person or company so acting as an adviser has no direct contact with the registrant's clients unless the registrant is present; and

(f) in Manitoba, the person or company so acting as an adviser is not registered in any jurisdiction in Canada.

Division 2: Mobility exemptions

Definitions – mobility exemptions

9.18 For the purposes of this section to section 9.24 [*mobility exemption conditions*]

"eligible client" means, for a person or company, a client of the person or company if the client

(a) is an individual and was a client of the person or company immediately before the client became a resident of the local jurisdiction, or

(b) is a spouse or child of a client referred to in paragraph (a);

"NI 31-101" means National Instrument 31-101 *National Registration System*;

"non-principal jurisdiction" means, for a person or company, each jurisdiction in Canada that is not the principal jurisdiction of the person or company;

"principal jurisdiction" means, for a person or company, the jurisdiction of the principal regulator;

"principal regulator" means

(a) for a person or company other than an individual, the securities regulatory authority or the regulator in the jurisdiction in Canada in which the person or company's head office is located, and

(b) for an individual, the securities regulatory authority or the regulator in the jurisdiction in Canada in which the individual's working office is located; and

"working office" has the same meaning as in NI 31-101.

Administrative change of principal regulator

9.19 Despite section 9.18 [*definitions – mobility exemptions*], if a person or company receives written notice from a securities regulatory authority or a regulator that specifies a principal regulator for the person or company, the principal regulator specified in the notice is the principal regulator for the person or company as of the later of

(a) the date the person or company receives the notice, and

(b) the effective date specified in the notice, if any.

Notice to non-principal regulator

9.20 (1) As soon as practicable after relying on an exemption under section 9.22 [*mobility exemption – registered firm*] or section 9.23 [*mobility exemption – registered individual*], the person or company must file a completed Form 31-103F3.

(2) Subsection (1) does not apply if the person or company is required to file Form 31-101F1 or Form 31-101F2 under NI 31-101.

Notice of change of principal regulator

9.21 (1) A person or company relying on section 9.22 [*mobility exemption – registered firm*] or section 9.23 [*mobility exemption – registered individual*] must file a completed Form 31-103F3, as soon as practicable, if

(a) for a person or company, other than an individual, the person or company changes its head office to another principal jurisdiction, or

(b) for an individual, the location of the individual's working office changes to another principal jurisdiction.

(2) Subsection (1) does not apply if a person or company is required to file Form 31-101F2 under NI 31-101.

Mobility exemption – registered firm

9.22 If the local jurisdiction is a non-principal jurisdiction, the registration requirement does not apply to a person or company if the person or company

(a) is registered as a dealer or adviser in its principal jurisdiction,

(b) is dealing or advising in securities with an eligible client,

(c) does not deal or advise in securities in the local jurisdiction other than as it is permitted to in its principal jurisdiction according to its category of registration,

(d) has 10 or fewer eligible clients in the local jurisdiction, and

(e) complies with section 9.24 [*mobility exemption conditions*].

Mobility exemption – registered individual

9.23 If the local jurisdiction is a non-principal jurisdiction, the registration requirement does not apply to an individual if

(a) the individual is registered in his or her principal jurisdiction as a dealing, advising or associate advising representative,

(b) the individual's registered firm is registered in its principal jurisdiction,

(c) the individual is dealing or advising in securities with an eligible client,

(d) the individual does not deal or advise in securities in the local jurisdiction other than as it is permitted to in its principal jurisdiction according to its category of registration,

(e) in the local jurisdiction, the individual deals or advises in securities for no more than five eligible clients, and

(f) the individual complies with section 9.24 [*mobility exemption conditions*].

Mobility exemption conditions

9.24 For the purposes of paragraphs 9.22(e) and 9.23(f) the person or company must

(a) disclose to an eligible client, before it relies on an exemption in section 9.22 or 9.23, that the person or company

(i) is exempt from registration in the local jurisdiction, and

(ii) is not subject to requirements otherwise applicable under local securities legislation, and

(b) act fairly, honestly and in good faith in the course of its dealings with an eligible client.

PART 10 - EXEMPTION

Exemption

10.1 (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

FORM 31-103F1
CALCULATION OF EXCESS WORKING CAPITAL

_____
Firm Name

Capital Calculation

(as at _____ with comparative figures as at _____)

	Component	Current period	Prior period
1.	Current assets		
2.	Less current assets not readily convertible into cash (*e.g.*, prepaid expenses)		
3.	Adjusted current assets Line 1 minus line 2 =		
4.	Current liabilities		
5.	Add 100% of long-term related party debt unless a subordination agreement has been executed (note: if related party debt or payables are not subordinated, lenders can request payment at any time.)		
6.	Adjusted current liabilities Line 4 plus line 5 =		
7.	Adjusted working capital Line 3 minus line 6 =		
8.	Less minimum capital		
9.	Less market risk		
10.	Less Financial Institution Bond deductible		
11.	Less Guarantees		
12.	Less unreconciled differences		
13.	**Excess working capital**		

Notes:

Line 1. Current Assets – Per GAAP except that this calculation is to be done on an unconsolidated basis.

Line 4. Current liabilities – Per GAAP except that this calculation is to be done on an unconsolidated basis.

Line 5. Related party debt – In this line, “related party” has the meaning ascribed to that term in the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time.

Line 8. Minimum Capital – The amount on this line must be not less than (a) $25,000 for an adviser, (b) $50,000 for a dealer, and (c) $100,000 for an investment fund manager.

Line 9. Market Risk – For all securities owned by the firm, IDA margin rules to be applied as set out in the IDA Rule Book

Line 11. Guarantees – If the registered firm is guaranteeing the liability of another party, the total amount of the guarantee must be included in the capital calculation.

Line 12. Unreconciled differences – Full amount of any unreconciled differences (from either firm positions or client positions) must be included in capital (e.g., if there is a shortfall of cash in the trust account or in the firm's bank accounts). If there is a shortfall in security positions, the current market value plus the applicable margin amount should be used to quantify the capital requirement.

Management Certification

Registered Firm Name: _____

We have examined the attached capital calculation and certify that the firm is in compliance with the capital requirements as at _____.

Name and Title	**Signature**	**Date**
1. _____	_____	_____
2. _____	_____	_____

FORM 31-103F2
SUBMISSION TO JURISDICTION AND
APPOINTMENT OF AGENT FOR SERVICE

(sections 9.13 [international dealer] and 9.14 [international portfolio manager])

1. Name of registered firm (the "Registered Firm"):

2. Jurisdiction of incorporation of the Registered Firm:

3. Name of agent for service of process (the "Agent for Service"):

4. Address for service of process on the Agent for Service:

5. The Registered Firm designates and appoints the Agent for Service at the address stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding (a "Proceeding") arising out of or relating to or concerning the Registered Firm's activities in the local jurisdiction and irrevocably waives any right to raise as a defense in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.

6. The Registered Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of the local jurisdiction and any administrative proceeding in the local jurisdiction, in any Proceeding arising out of or related to or concerning the Registered Firm's activities in the local jurisdiction.

7. Until six years after the Registered Firm ceases to be registered, the Registered Firm must file

   a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form at least 30 days before termination for any reason of this Submission to Jurisdiction and Appointment of Agent for Service; and

   b. an amended Submission to Jurisdiction and Appointment of Agent for Service at least 30 days before any change in the name or above address of the Agent for Service.

8. This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated:

_____
(Signature of Registered Firm or authorized signatory)

_____
(Name and Title of authorized signatory)

Acceptance

The undersigned accepts the appointment as Agent for Service of (Insert name of Registered Firm) under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated:

_____
(Signature of Agent for Service or authorized signatory)

_____
(Name and Title of authorized signatory)

FORM 31-103F3
NOTICE OF PRINCIPAL REGULATOR

(sections 9.20 [notice to non-principal regulator] and section 9.21 [notice of change of principal regulator])

1. Date:

2. Information about person or company

NRD # (if applicable): _____

Name: _____

3. Principal regulator

The securities regulatory authority or regulator in the following jurisdiction is the principal regulator for the person or company: _____

4. Previous notice filed

If the person or company has previously filed a Form 31-103F1, indicate the principal regulator noted in the previous notice: _____

5. Reasons for principal regulator

The principal regulator for the person or company is its principal regulator

(a) based on the location of its head office (for a registered firm) or working office (for a registered individual) (check box), or ☐

(b) on the following basis (provide details):

_____

_____

_____

APPENDIX A – FINANCIAL INSTITUTION BOND CLAUSES

Clause	Name of Clause	Details
A	Fidelity	This clause insures against any loss through dishonest or fraudulent act of employees.
B	On Premises	This clause insures against any loss of money and securities or other property through robbery, burglary, theft, hold-up, or other fraudulent means, mysterious disappearance, damage or destruction while within any of the insured's offices, the offices of any banking institution or clearing house or within any recognized place of safe-deposit.
C	In Transit	This clause insures against any loss of money and securities or other property through robbery, burglary, theft, hold-up, misplacement, mysterious disappearance, damage or destruction, while in transit in the custody of any employee or any person acting as messenger except while in the mail or with a carrier for hire other than an armoured motor vehicle company.
D	Forgery or Alterations	This clause insures against any loss through forgery or alteration of any cheques, drafts, promissory notes or other written orders or directions to pay sums in money, excluding securities.
E	Securities	This clause insures against any loss through having purchased or acquired, sold or delivered, or extended any credit or acted upon securities or other written instruments which prove to have been forged, counterfeited, raised or altered, or lost or stolen, or through having guaranteed in writing or witnessed any signatures upon any transfers, assignments or other documents or written instruments.

PROPOSED COMPANION POLICY 31-103CP
REGISTRATION REQUIREMENTS

Table of Contents

Introduction

The purpose of this Companion Policy is to help users understand how the provincial and territorial securities regulatory authorities (or **we**) interpret or apply the provisions of National Instrument 31-103 *Registration Requirements* (**NI 31-103**) and related securities legislation. This Companion Policy explains, discusses and gives examples for various parts of NI 31-103 and other relevant securities legislation applicable to registration requirements.

NI 31-103 is the primary Canadian Securities Administrators' (the **CSA**) instrument regulating registration requirements; however, it is not exhaustive. Registrants should refer to securities legislation of their local jurisdiction and to other CSA instruments for additional requirements that may apply to them.

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

Unless defined in NI 31-103, terms used in NI 31-103 have the meaning given to them in local securities legislation or in National Instrument 14-101 *Definitions*.

1.2 Exchange contracts

Securities legislation in British Columbia, Alberta and Saskatchewan includes provisions governing persons that deal or advise in exchange contracts. For the purposes of those sections of NI 31-103 whose application is equivalent to both securities and exchange contracts, reference to the term "security" or "securities" is deemed to include "exchange contract" or "exchange contracts". In some cases, the registration requirements for dealing or advising in exchange contracts are distinct from those concerning securities. Accordingly, persons should consult local securities legislation for additional provisions governing persons that deal or advise in exchange contracts.

1.3 Business trigger

There are two elements to the business trigger for requiring registration. The first step is to assess whether the activity in question is: (i) dealing in securities; (ii) advising in securities; or (iii) acting as an investment fund manager. If the activity is one or more of the foregoing, the second step is to assess whether the activity is conducted as a business.

A person or company acting as an investment fund manager will always be considered to be conducting that activity as a business.

Securities legislation lists factors to consider in assessing whether an activity is conducted as a business. These factors are not exhaustive. The following elaborates on some of the factors:

- *undertaking the activity, directly or indirectly, with repetition, regularity, or continuity*

The frequency of transactions is a common factor in determining whether a person has engaged in a business. We consider a person who habitually deals or advises in ways capable of producing profits to be engaged in a business. This view is consistent with guidance from international jurisdictions that have a business trigger. However, whether a person has other sources of income and how much time the person spends on the activity are also relevant factors when determining a business purpose. The activity need not be a person's sole endeavour or even their primary endeavour to constitute being in a business.

- *being, or expecting to be, remunerated or otherwise compensated for undertaking the activity*

Expectation by a person of remuneration for the activity, irrespective of whether compensation is actually received or the manner in which it is conveyed, reflects a business purpose in the activity. The receipt of compensation, whether transaction or value based, reflects a business purpose. Having the capacity or being able to carry on the activity to produce profit is also a relevant factor. On the other hand, gratuitous activity or that which is incidental to another business may suggest the absence of a business purpose.

- *soliciting, directly or indirectly, others in connection with the activity*

Contacting others by any means to solicit securities transactions or offer advice services is reflective of a business purpose. Solicitation includes contacting people by any means, including advertising, for the purpose of proposing that they purchase or dispose of securities or participate in a securities transaction or to offer services or advice for such purposes.

We do not consider an entity setting up a web site (i.e."bulletin board") for third parties to post information on investment opportunities to be in the business of advising or dealing in securities if that entity has no other role in any trades that may take place between parties who use the bulletin board.

- *holding oneself out, directly or indirectly, as being in the business of the activity*

Merely holding out as being willing to engage in dealing or advising in securities is sufficient to be engaged in the business for the purposes of securities legislation. Engaging in practices similar to those used by registrants, such as disclaimers or having a readiness to buy or sell securities, is also reflective of a business purpose. Similarly, the use of hyperbole in promotions reflects a business purpose. Prior history as a registrant or special training inclined towards the securities business is a factor which suggests a person's activity has a business purpose. An activity in its infancy can still be considered a business.

1.4 Applying the 'in the business' factors

To further assist in understanding the business trigger, the following discussion explains how the 'in the business' factors might apply with respect to common situations.

Security issuers

Few issuers with an active non-securities business would also be in the business of dealing in securities. An issuer might be captured by the business trigger because of the fact it deals in securities on a regular basis, or because it holds itself out as being in the business of dealing in securities. These instances, however, will be the exception to the norm because in the context of capital raising:

- most issuers deal in securities on an infrequent basis
- most issuers are not remunerated, nor do they expect to be remunerated, for dealing in securities
- most issuers do not act in an intermediary capacity
- most issuers do not produce, or intend to produce, distinct profit from dealing in securities
- most issuers do not hold themselves out as being in the business of dealing in securities.

However, there may be situations where an issuer is in the business of dealing in securities. For example, an issuer that creates a secondary market in its securities or an issuer that is a market maker for its own securities would likely be considered to be in the business of dealing in securities. Similarly where an issuer employs or otherwise contracts with persons to perform activities on its behalf similar in character to those performed by a registrant, other than underwriting in the normal course of a distribution, the issuer is in the business of dealing in securities. Issuers are reminded that they are subject to the prospectus requirements contained in securities legislation and the discretionary authority of regulators to require an underwriter for a prospectus distribution.

Limited partnerships

A general partner (**GP**) of a limited partnership (**LP**) may be in the business of providing advisory services to its limited partners. Whether the GP must register as a portfolio manager depends upon the nature of the services provided by the GP and the expectations of the other limited partners. The legal form of the investment vehicle is not determinative. If the GP is making investment decisions for the LP and the limited partners are primarily relying on the GP's expertise in choosing appropriate investments in securities for them (which is akin to portfolio management services), it will be providing advice to others (i.e. the limited partners).

In determining the nature of the GP's activities and whether it must register as a portfolio manager, consideration should be given to what the business purpose of the LP is and what services the investors (i.e. the limited partners) expect the GP to provide.

The limited partners may be relying on the GP for expertise other than providing advice on selecting investments in securities. For example, if a LP operates as a venture capital fund, the GP's role may be selecting companies in which the GP will participate in the active management and development of the companies. In such cases, we would not consider the GP's activities to be portfolio management activities requiring registration. The purchase and eventual sale of the securities are regarded as incidental to the operational business activity of the LP.

Alternatively, if the purpose of the LP is simply to invest in prospectus-exempt securities, the limited partners are relying on the GP's expertise in selecting the securities. The GP is not bringing special expertise to the operations of the underlying investment. In this case, the GP would be required to register as a portfolio manager.

Principal dealing activities

In most instances, we would not consider people whose main or sole activity is dealing for their own account to be in the business of dealing in securities. We do not intend to capture trading by, for example, individuals, day traders, or pension funds as a regulated activity when they are trading solely for their own account and do not have direct access to a marketplace (excluding those who have dealer-sponsored access). Applying the "in the business" factors discussed above, such persons would not be: (i) remunerated for undertaking the activity; (ii) soliciting others in connection with the activity; (iii) acting as an intermediary; or (iv) holding themselves out as being in the business of dealing in securities. Accordingly, such persons would not be in the business of dealing in securities.

However, principal dealing carried on by a registered firm is inherently different from that carried on by a non-registrant. The registrant has a unique position in and access to the markets and obligations to its clients. Regulators expect registrants to perform a "gatekeeper" function with respect to clients' access to the markets. For example, registrants routinely possess material undisclosed information about issuers and about client trading activities. Handling that information within the bounds of securities legislation is part of a registrant's responsibility as a gatekeeper to the securities markets. Also, principal trading can have a significant impact on a firm's financial viability, which introduces systemic risks. We therefore consider individuals who conduct principal trading on behalf of a registered firm to be subject to the individual registration requirement, notwithstanding that such individuals may not necessarily trade on behalf of clients of the firm.

Other examples of activities not commonly in the business of dealing in securities

Registration would not generally be required for dealing activities:

- by an individual or other person when that person is acting as a trustee, executor, administrator or personal or other legal representative
- in connection with the sale of goods or supply of services
- that take place between affiliated companies
- in connection with the sale of a business.

Some of these activities are isolated and do not reflect a business of dealing in securities. In other cases, the overall activities are of a business nature but dealing in securities is a consequence of the primary purpose of the business.

Professionals providing advice incidental to their business

Persons such as lawyers, accountants, engineers, geologists and teachers who provide advice that is incidental to their principal business or occupation are generally not in the business of advising in securities. In each case, it is important to consider the advising activity in the context of other business activity and decide whether the advising activity is a stand-alone business.

Applying the "in the business" factors, such persons would not be: (i) advising in securities with repetition; (ii) receiving remuneration for the advising services separate from remuneration received for their professional services; (iii) soliciting clients on the basis of their advising services; (iv) acting as an intermediary; or (v) holding themselves out as being in the business of advising in securities. Accordingly, these professionals would not be in the business of advising in securities. They might, however, be in the business of advising in securities where, for example, the securities advice is a primary reason for the client's relationship with the professional (i.e. the professional regularly provides advice and solicits clients on the basis of providing advising services).

PART 2 CATEGORIES OF REGISTRATION

2.1 General

Firm categories of registration serve two main purposes. The first purpose is to specify the type of business that the firm may conduct and, therefore, the types of business that the firm is not registered to conduct and may not carry on. Securities legislation distinguishes between dealers, advisers and fund managers. The second purpose is to provide a framework for the requirements the registrant must meet. From its category of registration, a firm can determine the fit and proper requirements and conduct rules that apply to the firm. Individual categories set out the qualifications necessary for an individual to perform particular roles on behalf of the firm.

2.2 Dealing in securities

Exempt market dealer

Section 2.1 of NI 31-103 restricts exempt market dealers to: (i) dealing in securities that are being distributed under an exemption from the prospectus requirement, or (ii) dealing in any security with persons or companies to whom securities may be distributed under an exemption from the prospectus requirement. Exempt market dealers, for example, may deal in prospectus-qualified securities with accredited investors.

Restricted dealer

A restricted dealer's registration is limited by conditions imposed by the local regulator. The CSA intends to use this registration category rarely, in order to avoid the proliferation of distinct registration categories across jurisdictions. This category might be used, for example, by an issuer that must register because it is in the business of dealing in securities. The issuer's registration in this case would be restricted by conditions to dealing in securities for the purpose of distributing securities of its own issue, exclusively for its own account.

2.3 Dealing in securities – exemption for advisers

This exemption applies to an adviser who has *bona fide* fully-managed accounts (e.g. the adviser is actively managing the client's account). The exemption relieves the adviser from having to register as an exempt market dealer to distribute units of its pooled fund into client accounts. This exemption is not intended to apply to an adviser that is effectively operating an investment fund by virtue of the fact that the adviser dedicates more time to managing the fund as compared to managing the fully-managed accounts. The exemption is not available if the fully-managed account is set up with the intention of relying on the exemption. Advisers should be mindful of the prospectus requirement and the requirement to register as an investment fund manager under securities legislation.

2.4 Advising in securities

Specific advice

"Advising in securities" is intended to capture "specific advice"; in other words, advice tailored to the needs and circumstances of the person receiving the advice and that is about a particular security. Specific advice includes discretionary account management.

Generic advice

Section 9.12 of NI 31-103 contains an exemption for those providing generic advice. Generic advice is advice that is not tailored to the needs and circumstances of the person receiving the advice.

Generic advice about particular securities but not purporting to be tailored to the needs and circumstances of the recipient has traditionally been delivered through investment newsletters and through articles in general circulation newspapers and magazines. It is now commonly delivered through the internet and other electronic means, whether on web sites, via e-mail, or in chat rooms and on bulletin boards. Generic advice can also be given at conferences, and will not be considered to be specific advice except if the purpose of the conference is to solicit securities transactions.

Another form of generic advice is asset allocation where a recommendation is made to allocate certain proportions of a portfolio to different asset classes but the advice does not specify particular securities. This form of generic advice usually purports to be tailored to the recipient's needs and is often provided as part of a financial plan.

Restricted portfolio manager

A restricted portfolio manager is limited by conditions imposed on its registration by the local regulator. This category is intended to permit persons to advise on securities of issuers in specified industries. For example, an adviser with extensive experience in oil and gas issuers but lacking the prescribed proficiency of a portfolio manager might be registered as a restricted portfolio manager to advise solely in securities of oil and gas issuers.

2.5 Associate advising representative

An individual who does not meet the education and experience requirements for registration as an advising representative of a portfolio manager may register as an associate advising representative. This category allows an individual to work at an adviser firm while he or she completes the proficiency requirements needed to be an advising representative. It also enables a former

advising representative to be reinstated as an advising representative by gaining the necessary working experience set out in section 4.9 of NI 31-103.

The associate advising representative category is primarily intended to be an apprentice category for individuals who intend to become full advising representatives but who do not meet the experience or education requirements. However, there is no requirement for an associate advising representative to subsequently register as an advising representative. This category, for example, accommodates individuals who are responsible for client relationships with a portfolio manager, but who do not perform portfolio management for clients.

In order to discharge its obligation to maintain an effective compliance system, an adviser firm must ensure that each of its associate advising representatives are supervised by one or more advising representatives. As required by section 2.7 of NI 31-103, advice provided by an associate advising representative must be pre-approved by an advising representative. It would be prudent for the adviser firm to document its policies and procedures for the discharge of these obligations and maintain specific records where advice is approved.

2.6 Managing investment funds

Persons or companies in the business of managing an investment fund must register in the category of investment fund manager. Managing an investment fund includes administering the fund but does not include acting as a portfolio manager for the fund. National Instrument 81-102 *Mutual Funds* defines a manager as "a person or company that directs the business, operations and affairs of a mutual fund". The fund manager generally organizes the fund and contractually accepts responsibility for its management and administration. The administrative services may include information gathering, performance reporting and handling client assets. The mutual fund trust or company very broadly delegates these responsibilities to the fund manager under a management agreement. Most agreements provide the manager with the ability to sub-delegate these responsibilities to other service providers. As mentioned below in section 5.1 on outsourcing, the fund manager remains fully liable for the sub-delegated responsibilities.

2.7 Chief compliance officer and ultimate designated person

Securities legislation requires a registered firm to appoint a chief compliance officer (**CCO**) and ultimate designated person (**UDP**) to perform prescribed compliance functions on behalf of the firm. It must be emphasized that compliance is the responsibility of the firm as a whole, and not *only* the responsibility of the individuals who are registered to act on behalf of the firm in the capacities of UDP and CCO.

The UDP is the chief executive officer or the senior officer responsible for the division within the firm which is carrying on the activity which requires registration. The role of the UDP is to ensure that the firm has an effective compliance system in place. The UDP is not necessarily required to be involved in the day-to-day management of the compliance group. There is no proficiency requirement for the UDP.

The CCO is an operating officer whose role is to manage the day-to-day operation of the compliance group and supervise the other members of the compliance group. There is no requirement that other members of the compliance group be registered. The CCO will determine what knowledge and skills are necessary or desirable for individuals who report to the CCO. The CCO must meet the applicable proficiency requirements set out in Part 4 of NI 31-103.

The appropriate size and structure of a firm's compliance group will vary greatly, depending on the size and scope of the firm's operations. The UDP and the CCO may be the same person, so long as that person meets the requirements for both designations. We are of the view that a separation of functions is the best practice, but we also recognize that this might not be practical for some registrants. Note also that nothing precludes the UDP and/or CCO from also being registered in dealing or advising categories. Accordingly, a small registered firm might conclude that one individual can adequately function as UDP and CCO, while also conducting advising and/or dealing activities. At the other end of the scale, a large firm with diverse operations may require a large team of compliance professionals with several divisional heads of compliance reporting to a CCO dedicated entirely to a compliance role. The CCO may or may not, depending on the firm, also have authority to resolve compliance issues once they have been identified.

2.8 Multiple registrations

Multiple firm categories

Other than investment dealers, firms that deal in more than one category of securities must register in all applicable categories. For example, a mutual fund dealer that deals in prospectus-exempt securities and scholarship plans must be registered as a mutual fund dealer, an exempt market dealer, and a scholarship plan dealer. The firm will be subject to the provisions of NI 31-103 applicable to each of the three categories. As well, the firm will be subject to oversight by the CSA and an MFD SRO.

Similarly, subject to having a registration exemption, a portfolio manager that manages an investment fund may have to register as a portfolio manager and an investment fund manager.

Firm solvency requirements set out in Part 4, Division 2 of NI 31-103 are not cumulative. A firm that is registered in more than one category will, by complying with the highest capital requirement of the categories in which it is registered, in most cases, have complied with the requirements of the other categories in which it is also registered.

Multiple individual categories

Individuals that perform more than one activity requiring registration on behalf of a registered firm must register in all applicable categories. For example, an advising representative of a portfolio manager who is also the CCO must register in the categories of advising representative and CCO.

Firm and individual categories

In some cases, an individual may be registered in both a firm and individual category. For example, a sole proprietor registered in the firm category of portfolio manager will also be registered in his or her individual capacity as an advising representative.

PART 3 SRO MEMBERSHIP

3.1 Requirement for SRO membership

A person or company applying for registration as an investment dealer or a mutual fund dealer and an individual applying for registration as a representative of a registered investment dealer or mutual fund dealer under securities legislation, must be an approved member of the Investment Dealers' Association of Canada (**IDA**) or an MFD SRO, as applicable.

As well, a registered investment dealer, mutual fund dealer, or registered individual of a registered investment dealer or mutual fund dealer, must maintain its status as an approved member in good standing with the IDA or an MFD SRO, as applicable, in order to maintain registration under securities legislation.

PART 4 FIT AND PROPER REQUIREMENTS

4.1 General

Suitability of a registrant is an ongoing requirement. Accordingly, the determination as to a firm's or individual's suitability for registration – sometimes referred to as the fit and proper determination – is an ongoing process for securities regulatory authorities and is not limited to a review of the initial application for registration. We may review a registrant's suitability at any time. If a registrant is no longer suitable for registration, the result may be that terms and conditions are imposed on the registration or that the registration may be suspended or revoked.

There are three fundamental criteria for determining whether a person or company is suitable for registration:

1. Integrity. Registrants must display integrity and be of honest character.

2. Competence. Registrants must meet the proficiency requirements prescribed by securities legislation, have adequate experience and demonstrate knowledge of securities legislation. Legislative proficiency requirements are intended to ensure registrants maintain a minimum level of product knowledge and ethics training before providing dealing or advising services to clients or managing a fund.

3. Solvency. Registrants must be solvent when applying to become registered. Depending on the circumstances, the regulator may consider a registrant's contingent liabilities to be relevant in assessing the registrant's solvency. Registrants generally should not have a history involving bankruptcy. Initial and ongoing capital requirements are intended to ensure a registered firm can meet the demands of its counterparties and, if necessary, wind down its business without loss to its clients. Where financial failure does occur, insurance requirements prescribed by securities legislation as well as investor protection funds, where applicable, serve to reduce the impact of failure on the registrant and its clients.

Other relevant factors when considering a registrant's suitability may include: other employment, partnerships or service as a member of a board of directors that may impact an individual's ability to devote sufficient time to clients and the sponsoring registered firm.

Potential conflicts of interest are also of relevance when assessing suitability. For non-residents, registration in good standing or equivalent status with appropriate regulators in the home jurisdiction may be taken into account. As well, the effectiveness of a

registered firm in identifying and remedying compliance deficiencies will be considered an important element of its continuing suitability for unrestricted registration.

4.2 Application of proficiency requirements

NI 31-103 does not prescribe proficiency requirements for an investment dealer representative or a mutual fund dealer representative that is a member of the IDA or an MFD SRO, as applicable. Minimum entry proficiency requirements as well as ongoing proficiency requirements for such individuals are prescribed by the IDA or an MFD SRO, as applicable. Accordingly, investment dealer representatives and mutual fund dealer representatives should consult with IDA or MFD SRO rules, as applicable, for minimum proficiency requirements. We note, however, that whether an applicant for registration as an investment dealer or mutual fund dealer representative satisfies the minimum proficiency requirements prescribed by the IDA or MFD SRO, as applicable, is a relevant consideration towards whether the applicant is suitable for registration pursuant to securities legislation.

4.3 Exam-based proficiency requirement

NI 31-103 prescribes exam-based, rather than course-based, proficiency requirements where possible. For example, it is not necessary for an applicant to complete the Canadian Securities Course if alternative education has prepared them to successfully pass the Canadian Securities Exam. Although the course component is not a requirement, individuals without adequate alternative education may want to take an exam preparation course, such as the Canadian Securities Course, to assist them in satisfying the exam requirement.

4.4 Relevant experience

General

Relevant experience for the purposes of Part 4, Division 1 of NI 31-103 may include experience obtained working in:

- a dealing or advising firm
- a fund manager firm
- related investment fields such as investment banking, securities trading on behalf of a financial institution, securities research, portfolio management, investment advisory services or supervision of those activities
- legal, accounting and consulting practices related to securities legislation
- the provision of other professional services to the securities industry
- a securities-related business in a foreign jurisdiction.

Associate portfolio manager

Examples of relevant experience for the purposes of registration as an associate advising representative include:

- at least two years performing financial or investment research
- at least two years employment as a registered dealing representative with a registered dealer firm
- at least two years under the supervision of
  - (a) an unregistered investment manager of a Canadian financial institution,
  - (b) an adviser that is registered in another Canadian jurisdiction or a foreign jurisdiction, or
  - (c) an adviser that is not required to be registered under the laws of the jurisdiction or foreign jurisdiction in which the adviser carries on business.

The regulator will consider granting an exemption from any of the prescribed proficiency requirements in Part 4, Division 1 of NI 31-103 if the regulator is satisfied that an individual has qualifications or relevant experience that are equivalent to, or more appropriate in the circumstances than, the prescribed proficiency requirements.

4.5 Restricted dealer and restricted adviser – proficiency for representatives

The education and experience required to be registered as a dealing representative at a restricted dealer, as an advising representative at a restricted adviser or as a chief compliance officer for either, will be at the discretion of the regulator and will be determined in the course of assessing the individual's suitability for registration.

4.6 Registrant bankruptcy or insolvency

Among other items of financial disclosure, National Instrument 33-109 *Registration Information* requires a registrant to, among other things, notify the securities regulatory authorities within five business days of being petitioned into bankruptcy, making a voluntary assignment into bankruptcy, or making a proposal for insolvency.

The regulator will review the circumstances of a registrant's bankruptcy or insolvency on a case-by-case basis. If a review discloses evidence of activities such as unethical conduct or gross error in business judgment, the registrant's registration may be suspended or terminated. Less serious situations may result in conditions being imposed on the registrant's registration such as the need for close supervision of the individual and the delivery of progress reports to the securities regulatory authorities.

4.7 Financial records

Subsection 4.26(1) of NI 31-103 requires a registered firm to prepare its financial statements in accordance with generally accepted accounting principles, except that the statements are to be prepared on an unconsolidated basis. Section 5600 of the Handbook provides guidance for auditors signing an audit report concerning financial statements prepared in accordance with regulatory or legislative requirements. The audit report should clearly state that the financial statements are not intended to be and should not be used by anyone other than the regulator.

PART 5 CONDUCT RULES

5.1 Outsourcing

Outsourcing of certain components of a registered firm's operations, particularly non-core "back office" activities, can be a cost-effective alternative to conducting those operations in-house. It can also be a way to access specialized expertise that would otherwise be unavailable or otherwise improve operations. However, registrants remain fully liable and accountable for any and all functions that are outsourced to a service provider. A written, legally binding contract should document the expectations of the parties to an outsourcing arrangement.

We believe prudent business practice requires a registrant to conduct a due diligence analysis of prospective third-party service providers (including affiliates of the registrant firm) to assess their reputation, financial stability, relevant internal controls and overall ability to deliver the services. Firms should ensure that third-party service providers maintain adequate information confidentiality safeguards and, where appropriate, disaster recovery capabilities. Firms should review the quality of outsourced services on a continuous basis and develop business continuity plans for the possibility that outsourced services may not be delivered in a satisfactory manner, potentially leading to disruption of a firm's business and negative consequences for its clients. Firms are reminded that other legal requirements, such as privacy laws, should also be considered when entering into outsourcing arrangements.

Securities regulatory authorities, the firm and its auditors should have the same access to the work product of the service provider as if the activities had been performed by the registrant. Firms are expected to enter into contractual arrangements as may be necessary to ensure such access is provided.

5.2 Know-Your-Client

The know-your-client (**KYC**) obligation is an exercise in due diligence that protects the client, the registrant and the integrity of the capital markets.

The KYC obligation requires a registrant to learn the essential information about each and every client, document the results and keep the information current. Examples of essential information about an individual client include the following: investment objectives, investment knowledge and experience, risk tolerance, investment timeframe, employment status, income level and net worth.

In addition, registrants should collect the following information about clients that are not individuals: the nature of the client's business or other purposes of the entity, control structure and beneficial ownership. Where it is unduly difficult to determine beneficial ownership, the registrant should consider carefully the reasons why this might be so and whether it would be appropriate to closely scrutinize account activity pending identification of beneficial owners or even to decline to accept the client.

5.3 Suitability of investment

In order to adequately discharge the obligation to determine suitability of an investment for a client, a registrant must understand all products made available to clients, including each product's structure, features, full costs and buyer qualifications (i.e. restriction to accredited investors).

Although a suitability review is required whenever a dealer accepts an order from a client, there are exemptions for SRO members pursuant to SRO requirements. These exemptions generally apply to discount broker activity or certain institutional clients.

5.4 Leverage disclosure

General

Registrants are reminded that leveraging is an important factor to consider when determining suitability and when fulfilling other obligations to clients. NI 31-103 in no way implies that the provision of the leverage disclosure statement referred to in subsection 5.6(1) of the Instrument fulfils the registrant's ongoing duties to its clients.

Borrowed money

Subsection 5.6(1) of NI 31-103 requires that leverage disclosure be provided to a client when a registrant opens an account for a client, makes a recommendation to a client to purchase securities using in whole or in part borrowed money, or otherwise becomes aware of a client's intent to purchase securities using in whole or in part borrowed money. This requirement applies whether or not the borrowed money was specifically borrowed for the purpose of purchasing the securities.

Client acknowledgement

The acknowledgements of a client referred to in subsections 5.6(1) and 5.7(3) of NI 31-103 may be obtained by a registrant in a number of ways, including requesting the client's signature, requesting that the client initial an initial box or requesting that the client place a check in a check-off box. It is the responsibility of the registrant to draw the client's attention to the disclosure. The acknowledgement must be specific to the information disclosed to the client (i.e. disclosure regarding the risks of using leverage to purchase securities or the description of the nature of securities) and must confirm that the client has read the relevant information.

Exemption for margin accounts

Subsection 5.6(2) of NI 31-103 exempts registrants from the requirement to provide additional leverage disclosure to clients opening a margin account at a member of the IDA or an MFD SRO. The exemption is provided because the by-laws, rules, regulations or policies of the IDA or an MFD SRO may already require that clients with margin accounts acknowledge receipt of leverage disclosure in the account opening form.

Delivery of documents by electronic means

All disclosure or consents required by NI 31-103 may be delivered by electronic means and are subject to the provisions of all applicable federal or provincial legislation governing the delivery of electronic documents. Reference should also be made to National Policy 11-201 *Delivery of Documents by Electronic Means* and, in Québec, Notice 11-201 related to the Delivery of Documents by Electronic Means.

5.5 Relationship disclosure document

Content of relationship disclosure document

In addition to the prescribed content in section 5.12 of NI 31-103, the Relationship Disclosure Document may include any other information that the registered firm determines is necessary to clearly set out essential relationship information. For example, the document may include recommendations to the client regarding what the client should do to maintain a successful relationship with the firm. The registered firm may also describe the client's responsibilities, including the following:

- provide full and accurate information to the firm and the registered individuals acting on behalf of the firm
- promptly inform the firm of a change to any information that could reasonably result in a change to the types of investments appropriate for the client, such as a change to the client's income, investment objectives, risk tolerance, time-horizon or net worth

- carefully review all account documentation, sales literature and other documents provided by the firm
- understand all fees and costs
- be aware of the potential risks and returns on investments
- clearly state the client's expectations about the firm
- ask questions and request information from the firm to resolve questions about the account, transactions, investments or the relationship with the firm or a registered individual acting on behalf of the firm
- pay for securities purchases by settlement date
- review all transaction confirmations, account statements and reports carefully and report any errors or concerns to the firm immediately
- review portfolio holdings and performance on a regular basis
- consult the appropriate professional, such as a lawyer or an accountant, for legal or tax advice.

If a registered firm decides that a major product or service will no longer be provided to clients, it should provide clients with reasonable notice of the change.

The purpose of identifying in the Relationship Disclosure Document which products or services offered by the registered firm will meet the client's investment objectives, and how they will do so, is to explain to the client what the firm will do for them and how it will do it. For example, the disclosure could include a reference to the firm's investment policies, ranges of typical asset allocations for various types of clients, or particular expertise in the firm to manage various investments that will meet the needs of the client. This explanation will, of course, be tailored to the nature of the firm and the needs of the client or particular category of client.

5.6 Recordkeeping – general

Specific records that a registrant should maintain include:

- material contracts
- reconciliations of bank statements and securities positions
- client correspondence including e-mails.

5.7 Retention of records

Activity Records

Paragraph 5.20(4)(a) of NI 31-103 requires a firm to retain activity records for at least seven years. Activity records include records of all actions taken leading to trade execution, settlement and clearance. This includes trades on exchanges, alternative trading systems, over the counter markets, debt markets, and distributions and trades in the prospectus-exempt market. Activity records record information about buy and sell transactions, referral transactions, portfolio management transactions, margin transactions, and any other activities relating to a client's account. Trade confirmation statements and summary information about account activity are examples of activity records. Communications between a registrant and its client about particular transactions are also activity records. Other transactions resulting from securities a client holds are also activity records (e.g. records of dividends or interest paid, or dividend reinvestment program activity). In determining what activity records are, a firm should consider the recordkeeping requirements in NI 23-101 *Trading Rules*.

Relationship Records

Paragraph 5.20(4)(b) of NI 31-103 requires a firm to retain relationship records for at least seven years from the end of the relationship. Relationship records record information about a firm's relationship with its client, and any representatives' relationships with that client. They include communication between the registrant and its clients, including: (i) disclosure provided to clients; (ii) agreements entered into between the registrant and its clients; (iii) notes of verbal communications with a client; and (iv) all e-mail, regular mail, fax and other written communications to clients.

Examples of other types of relationship records include account opening information, change of status information provided by the client, disclosure and other relationship information provided by the firm, margin account agreements and ongoing communications that do not relate to a particular transaction. Client complaint records and conflicts records are also relationship records.

5.8 Third party access to records

All registrants should have proper safeguards in place to ensure that there is no unauthorized access to information, particularly confidential client information. If the registrant maintains books and records in a central location to which employees of a third party have access, the registrant should be particularly vigilant in ensuring these safeguards are implemented and effective.

5.9 Compliance and recordkeeping

Provincial and territorial securities regulatory authorities conduct regular and spot compliance examinations of registrants. In preparation for these examinations, a registrant should consider regular testing to determine whether its records demonstrate compliance with applicable securities legislation. Registrants are reminded that securities legislation authorizes securities regulatory authorities and/or regulators to access, examine and take copies of a registrant's records.

5.10 Account opening and recordkeeping

Each record should clearly indicate the person or company and the account to which the record refers. Information in a record can cover only the accounts of the same accountholder or group and can include, if so specified, their registered account(s) such as RRSPs. For example, separate information should be obtained for an individual's personal accounts, accounts of a legal entity even where wholly owned by the individual and those held jointly with another party. As well:

- the financial details should note, where applicable, whether the information is that of an individual client or family information (including spousal income and net worth). For legal entity accounts, it should note whether the information refers to the entity or the owner(s) of the entity
- investment knowledge or experience for multi-party or legal entity accounts should note whose investment knowledge or experience is being described
- if a client is opening more than one account, the investment objectives and risk tolerance should indicate whether it is for a particular account or the client's whole portfolio across accounts.

All information relevant to suitability should take a form that makes it usable in the firm's supervision systems.

If the firm permits clients to complete new account forms themselves, the forms should use language that is clear and that avoids terminology that may be unfamiliar to unsophisticated clients.

5.11 Compliance system

We wish to emphasize that compliance is a firm-wide responsibility. The existence of a compliance monitoring group and individuals inside or outside that group with specific compliance and/or supervisory responsibilities does not relieve others in the firm of the obligation to report and act on compliance issues.

The purpose of a compliance system is to protect both clients and registrants. This contributes to greater investor confidence and participation in our capital markets.

A registered firm's compliance system should achieve each of the following objectives:

1. It should ensure that everyone in the firm, including the board of directors or partners, management, employees and agents (whether or not themselves registered) understands the standards of conduct applicable to their designated roles.
2. It should be reasonably likely to identify non-compliance at an early stage.
3. It should provide effective mechanisms for the timely correction of non-compliant conduct.

The compliance system has two inter-related elements: day-to-day supervision and systemic monitoring. Day-to-day supervision usually involves approving new account documents, monitoring and in some cases approving transactions, and taking corrective action where necessary. Systemic monitoring involves assessing, advising on and reporting on the registered firm's compliance with regulatory requirements. This includes ensuring that day-to-day supervision is effective. The entire firm

has a responsibility to support compliance efforts. The CCO and the UDP must be authorized to take, on their own initiative, problems to executive management and the board of directors or partnership if satisfactory results are not otherwise being obtained.

Registered firms, when setting up their compliance systems, must consider their size, scope of operations, products, types of clients or counterparties, risks and compensating controls, along with any other relevant factors. As part of this process, firms must develop and enforce written policies and procedures for dealing with clients that conform with prudent business practices. Firms are also encouraged to go further and meet or exceed industry best practices to assist them in complying with regulatory requirements. The CSA or its member regulators from time-to-time publish recommendations for best practices for firms in one or more categories of registration. The SROs also do so for their members. Registered firms are encouraged to conduct an assessment of the effectiveness of the firm's compliance system on a regular basis.

In some firms, the compliance monitoring group itself may be authorized to take supervisory action, in others it may not – it is up to each firm to decide what model of compliance system is most appropriate for its operations. Elements of an effective compliance system at a registered firm will generally include:

- the visible commitment of senior management and the board of directors or partners
- sufficient resources to operate effectively
- detailed written policies and procedures that set out the firm's standards of conduct for regulatory compliance and the systems in place to monitor and enforce compliance with those standards – such policies and procedures should:
  - (a) delineate clearly who is expected to do what, when and how,
  - (b) be readily accessible for consultation by all those expected to know and follow them, and
  - (c) be kept up-to-date with changes in regulatory requirements and the firm's business practices
- the designation of personnel to monitor the firm's compliance, identify any incidents of non-compliance and take supervisory action to correct them, including those assigned to fill those positions temporarily during absences (all such personnel must have the qualifications and authority to carry out the responsibilities assigned to them)
- training to ensure that everyone at the firm understands the standards of conduct and his or her role in the compliance system – including on-going communication and training regarding changes in regulatory requirements or the firm's policies and procedures
- records of activities conducted to identify and correct compliance deficiencies
- records of all instances where compliance deficiencies have been identified and the action taken to correct them.

Some elements noted above may be unnecessary or unworkable in smaller registered firms, but all registered firms must have systems, policies and procedures to ensure their compliance with regulatory requirements. That said, policies and procedures in themselves do not constitute an acceptable compliance system; an acceptable compliance system is one that in practice delivers reasonable assurance that all requirements of applicable securities laws and SRO rules are being met in a timely and ongoing manner.

Although NI 31-103 does not set out prescriptive requirements concerning account opening procedures and trade supervision or branch offices and branch managers, SRO members should be mindful of SRO requirements concerning such matters. Branch locations and branch managers must still be identified on NRD filings. With respect to effective compliance systems in non-SRO firms, we would normally expect that a manager will be designated at each branch location with responsibility to supervise account opening and trading activities. We recognize, however, that there may be circumstances in which a non-SRO firm may be able to demonstrate that other arrangements nonetheless enable it to operate an effective compliance system.

Registered firms must also ensure that their compliance monitoring and supervision policies and procedures take conflicts of interest management issues into account. Those within the registrant who decide what is an appropriate action to take if a conflict of interest arises should not be significantly affected by the conflict themselves.

Managers or others designated by their registered firm with authority to supervise specified registered individuals, or individuals who should be registered, have a responsibility on behalf of the firm to ensure that each such individual:

- acts honestly toward clients
- is fit and proper and appropriately registered with the local securities regulator before engaging in activity requiring registration
- provides clients with continuous access to firm services during normal business hours, even where the individual does not carry out their activities on a full-time basis
- maintains an appropriate level of proficiency on an on-going basis.

5.12 Client complaints

An effective complaint system deals with all formal and informal complaints or disputes internally or refers them to the appropriate external person or process, in a timely and fair manner. Registrants should be fully aware of all applicable processes – internal or through an SRO if applicable – for dealing with complaints and should disclose to all clients the channels available for pursuing different types of complaints (for example, regarding conduct, service or product performance).

Some registrants are also registered or licensed to do business in other sectors, such as insurance. In this case, these registrants must inform clients of the differing complaint resolution mechanisms for each sector in which they do business and how the clients can use those mechanisms. If a registrant is also insurance licensed, it will be subject to applicable insurance regulations in this area.

A registered firm must document all complaints made, or legal actions or other dispute resolution proceedings commenced, against the firm and its representatives for potential compliance review by regulators. A registered firm should respond in writing to any client who complains about a firm or one of its representatives, beginning with acknowledging receipt in writing to the complainant within five business days.

A complaint is the expression of at least one of the following elements that persists after being considered and examined at the operational level capable of making a decision on the matter: a reproach against the firm, the identification of a real or potential harm that a client has experienced or may experience or a request for remedial action.

The initial expression of dissatisfaction by a client, whether in writing or otherwise, will not be considered a complaint where the issue is settled in the ordinary course of business. However, if the client remains dissatisfied and such dissatisfaction is referred to the firm's compliance staff, then it will be considered a complaint. The complaint should be handled promptly by sales supervisors or compliance staff, and in most cases, a resolution should be provided within three months of the date the complaint was received.

Registrants must ensure that all complaints and pending legal actions are made known to the CCO and appropriate supervisors. Registrants should also ensure that procedures are in place so that senior management is made aware of all complaints of serious misconduct and of all legal actions.

The registrant must keep an up-to-date record of complaints which includes the following information for each complaint:

- the date of the complaint
- the complainant's name
- the name of the person who is the subject of the complaint
- the security or services which are the subject of the complaint
- the date and conclusions of the decision rendered in connection with the complaint.

5.13 Non-resident registrants

Certain factors may indicate that a firm is resident in a jurisdiction or foreign jurisdiction. A firm's head office is usually located in the jurisdiction or foreign jurisdiction in which the firm is resident. In unusual circumstances, a firm may be resident in a different jurisdiction or foreign jurisdiction than its head office. If so, the jurisdiction or foreign jurisdiction in which the firm is resident may be indicated by the location of the firm's records, or by the jurisdiction or foreign jurisdiction in which the firm's officers and directors are resident or primarily work.

PART 6 CONFLICTS

6.1 Definition of conflict of interest

General

Conflicts of interest are circumstances in which the interests of different parties, such as the interests of clients and those of the registrant, its affiliates, its representatives and non-registered employees or agents, are inconsistent or divergent.

Conflicts of interest between clients

Sometimes the interests of clients conflict. For example, there can be a conflict of interest between the interests of investment banking clients who want the highest price, lowest interest rate or best terms in general for their issues and the interests of the retail clients who will buy the product. Firms should have internal systems to evaluate the balance struck between these interests, so that firms consider whether the product meets the retail clients' needs and is competitive with alternatives available in the market.

6.2 Dealing with conflicts of interest

Mechanisms

The three mechanisms that registrants generally use to deal with conflicts of interest are:

1. *Avoid* – first determine if the registrant should avoid the conflict of interest because it is sufficiently contrary to the interests of a client or it is prohibited by law.

2. *Control* – if the registrant does not avoid the conflict of interest, consider what internal structures or policies and procedures the registrant should have to reasonably address the conflict.

3. *Disclose* – if the registrant does not avoid the conflict of interest, the registrant must consider if it is required to disclose the conflict.

Consistency

A registrant should apply consistent criteria when dealing with conflicts of interest of a similar nature.

6.3 Avoiding conflicts of interest

Some conflicts of interest experienced by a registrant are so contrary to another person's interest that they cannot be managed by controlling the conflict and/or through disclosure. In those cases, the registrant should avoid the conflict or refrain from either providing that service or dealing with the client. A registrant's conflicts management policies and procedures should enable the registrant and its representatives to identify those conflicts of interest that should be avoided.

Serious conflicts need to be avoided, not because they will always lead to actual harm to clients or to the market, but because allowing those conflicts to continue creates a high risk of that harm occurring. Registrants should take a risk management approach and ask themselves to what level of risk their conflicts of interest expose them. With some conflicts, the risk of an adverse client or market integrity outcome is too high and these conflicts need to be avoided.

6.4 Controlling conflicts of interest

General

Depending on the conflict of interest, it may be appropriate to control the conflict by:

- assigning another representative to provide the service to the particular client
- creating, or referring the matter to, a group or committee to review, develop or approve responses
- monitoring
- initiating internal or external disciplinary action (such as referring the matter to a professional body or regulator)

- using another control method that is appropriate in the circumstances.

Internal structures

Registrants should ensure that their internal structures and reporting lines enable them to control conflicts of interest effectively. It is important that internal structures and reporting lines support a registrant's conflicts of interest management.

Registrants should consider how their organizational structure, physical layout and reporting processes affect their conflicts control. For example, the following would likely raise a conflict:

- having advisory staff reporting to marketing staff
- having 'stand-alone' advice units within the organisation in the same physical location as sales or investment management staff
- having compliance or internal audit staff reporting to a business unit.

Robust information barriers may help a registrant control its conflicts of interest. They may allow a registrant to insulate one group of staff from the information or other circumstances that give rise to a particular conflict, so that the group is not affected by that conflict. To be effective, the barriers must prevent information being passed to the relevant group of staff.

Remuneration

Registrants should consider their remuneration practices (including non-monetary benefits) to ensure that they meet their obligations to

- operate honestly and fairly
- have in place adequate conflicts management policies and procedures.

Registrants should consider whether any particular benefits, compensation or remuneration practices are inconsistent with the requirement to have adequate policies and procedures in place to manage conflicts of interest or with the requirement to provide its services in an efficient, honest and fair manner.

Robust conflicts management policies and procedures are important if a registrant relies heavily on commission-based remuneration.

Multiple roles for individuals

If a representative serves on a board of directors, several conflicts of interest could arise, including conflicting fiduciary duties owed to the company and to a registrant or client, possible receipt of inside information, and conflicting demands on the representative's time. Registrants should consider requiring their representatives to seek permission from the registrant to serve on the board of directors of a public issuer or restricted issuer. Registrants should also consider having policies for board participation that identify the circumstances in which the activity would be in the best interests of the registrant and its clients.

Outside business activities

Registrants need to consider potential conflicts of interest prior to approving any outside business activities, including compensation as well as the nature of the relationship between the individual and the outside entity. If any conflict of interest cannot be properly managed, the outside activity should not be permitted.

6.5 Disclosing conflicts of interest

General

Registrants should make appropriate disclosure of conflicts of interest to clients. While disclosure alone will often not be enough, disclosure is an integral part of managing conflicts of interest. Registrants should ensure that clients are adequately informed about any conflicts of interest that may affect the services the registrant provides to them. Generic disclosure is unlikely to satisfy the registrant's obligations to manage conflicts properly.

Disclosure about conflicts of interest should:

- be prominent, specific, clear and meaningful to the client, so that the client can understand the conflict of interest and its potential impact on the service the client is being offered
- occur before or when the service is provided, but in any case at a time that allows the client a reasonable time to assess its effect.

Registrants should ensure that:

- partial disclosure is not misleading
- detailed and exhaustive disclosure is not used to obscure conflicts of interest.

Inappropriate disclosure

There are some situations in which disclosing a particular conflict of interest will be inappropriate. For example, conflicts of interest may arise that are confidential, or commercially sensitive, or even amount to 'inside information' under the insider trading provisions. In those situations, registrants will need to assess whether any disclosures can be given and whether the conflict can be adequately managed through other mechanisms. It may be that the conflict must be avoided by, for example, declining to provide the affected service.

Registrants may disclose material, non-public information only if it is in the necessary course of business. Otherwise, it would be considered "tipping". Registrants should have specific procedures for dealing with inside information.

6.6 Other legal considerations

Conflicts of interest requirements may arise outside of securities legislation. Registrants should comply with other legislative requirements, regulations, rules, and common and civil laws that apply to their conflicts of interest.

6.7 Fairness in allocation of investment opportunities

The following disclosures should, at a minimum, be included in a portfolio manager's fairness policy, where applicable to its investment processes:

- the method used to allocate price and commission among clients when trades are bunched or blocked
- the method used to allocate block trades and initial public offerings among client accounts
- the method used to allocate block trades and initial public offerings among clients that are partially filled, such as pro-rata.

A portfolio manager's fairness policy should also address any other situation in which investment opportunities must be allocated.

6.8 Acquisition of securities or assets of a registrant

For the purposes of section 6.7 of NI 31-103, purchasing the book of business of a registrant would be 'a substantial part of the assets' of the registrant.

6.9 Relationship pricing

Canadian securities regulatory authorities are aware that industry participants offer financial incentives or advantages to certain clients, a practice that is commonly referred to as relationship pricing. The tied selling provision in section 6.10 of NI 31-103 is intended to prevent certain abusive sales practices and is not intended to prohibit relationship pricing or other beneficial selling arrangements similar to relationship pricing. We are of the view that section 6.10 of NI 31-103 would be contravened, for example, if a financial institution refused to make a loan unless the client acquired securities of mutual funds that are sponsored by the financial institution, where the client otherwise met the financial institution's criteria for making loans.

6.10 Referral arrangements

Application

The purpose of Part 6, Division 2 of NI 31-103 is to deal with the abuse, misuse or misinterpretation of referral arrangement relationships involving registrants. There are many kinds of referral arrangements. Some referral arrangements require that one or both parties be registered. Whether a party needs to be registered depends on the activities carried out by the parties to the referral arrangement. There are a number of factors to consider in determining whether an arrangement is a referral that requires registration.

Part 6, Division 2 of NI 31-103 applies to the referral of a client to or from a registrant. A referral of a client also includes a referrer passing a client name and contact information to the person or company receiving the referral for a referral fee. A referral fee means any compensation paid for the referral of a client, including sharing or splitting any commission resulting from the purchase or sale of a security.

Scope of Activities

Typically, a client will rely on the registrant to have the ability to invest their portfolio and to give appropriate investment advice. Therefore, if a registrant does not have the expertise or appropriate registration to provide a service, it is expected that the registrant will refer their client to an appropriately qualified person.

Part 6, Division 2 of NI 31-103 applies to any referral to a registrant where the registrant is paying for the referral and to referrals from a registrant to a person or company that provides investment products or services, including:

- a mortgage broker for a mortgage
- a financial planner for financial planning services
- an exempt market dealer for trading in flow-through shares
- a portfolio manager for discretionary management services.

Some issuers, dealers and non-registrants are actively promoting and marketing specific securities through third party registrants who then merely execute the trade. An example of a referral activity that raises concerns is a mutual fund dealer that enters into a referral arrangement with a portfolio manager where the mutual fund dealer recommends the specific product and meets with clients to conduct know-your-client and suitability reviews. The portfolio manager's role is limited to providing instructions to complete the trade. The concern is that the mutual fund dealer is giving advice and making recommendations with respect to a specific security without the appropriate registration or proficiency. The portfolio manager is the party that should be conducting know-your-client and suitability reviews, as is required under the portfolio manager's registration requirements. Another example includes the situation where a referrer refers clients to a discount broker that does not provide investment advice and the referrer continues to meet with clients to provide advice relating to the portfolio. While these arrangements are held out as referrals, they are in fact advising on and/or trading in a specific security. By providing advice on a specific security, individual registrants may be acting on behalf of a registrant other than their dealer or adviser, contrary to securities legislation.

Clients

Once a client is referred to another person or company, it is considered to be the client of the person or company receiving the referral for the purposes of the services being provided under the referral arrangement. The person or company receiving the referral, if registered, must satisfy all requirements and obligations of a registrant toward the client including know-your-client and suitability obligations.

Written Agreement

Parties to the referral arrangement should clarify their relationship and each party's roles and responsibilities within the written agreement. Parties to the referral should set out the terms of the referral arrangement clearly in the written agreement, and may wish to include the following areas:

- the roles and responsibilities of each party
- limitations on any party to the referral arrangement that is not a registrant to ensure that they are not engaging in any activities requiring registration

- the method of calculating the referral fee and, to the extent possible, the amount of the fee
- the disclosure to be provided to clients and by whom
- if the person or company receiving the referral is a registrant, the registrant is responsible for meeting its obligations under securities laws, including know-your-client, suitability review responsibilities, and communication with the client going forward.

Registrants are reminded that they cannot contract out of the obligations of their registration. In addition, registrants should be aware of other legal obligations that may impact on referral arrangements, including privacy legislation.

Supervision

It is essential that dealers and advisers be aware of all referral arrangements in order to supervise representatives. For this reason, section 6.12 of NI 31-103 requires that the dealer or adviser be a party to the written agreement. While section 6.12 of NI 31-103 requires the dealer or adviser to be a party to the written agreement, it does not preclude the individual registrant from also being a party to the agreement. This ensures that representatives are not entering into agreements on behalf of their dealer or adviser without the dealer's or adviser's knowledge, as a person with appropriate signing authority to legally bind the firm would have to review and execute the agreement. Also, this ensures that the dealer or adviser is aware of its legal responsibilities under the referral arrangement and is able to monitor compliance. This includes, but is not limited to ensuring that the receipt or payment of the referral fees is recorded on the records of the dealer or adviser.

Disclosure to Clients

Section 6.13 of NI 31-103 mandates specific disclosure so clients can assess any potential conflicts of interest created by the referral arrangement and to help clients make an informed decision regarding the referral. We expect registrants to provide adequate written disclosure to clients that clarifies which entity the client is dealing with, that explains that the referrer has a financial interest in the referral arrangement and that discloses any relationship that may give rise to a conflict of interest. The referral fee should be disclosed in sufficient detail and clarity to permit the client to determine the amount of the referral fee paid to the referrer. In addition, we require the registrant to disclose any other information that a reasonable client would consider important in evaluating the referral arrangement.

The registrant should manage any conflict by exercising responsible business judgment in the best interest of the client. If the referral fee is excessive in relation to the service to be provided, the dealer or adviser should assess whether this creates a conflict that could motivate representatives to refer clients to a particular person or company even though it may not be in the best interest of the client. Clients should receive sufficient information to evaluate the extent of any conflict. In addition, registrants should have controls in place to ensure that clients are not misled as to the nature of the relationship between the parties to the referral arrangement, or as to any limitations or conditions on registration of the parties to the referral arrangement.

Reasonable Diligence

Pursuant to section 6.14 of NI 31-103, a registrant referring a client to another party must take reasonable steps to ensure that the party receiving the referral is appropriately qualified to perform the services, and if applicable, is appropriately registered to provide those services. It is the responsibility of the registrant to determine the reasonable steps that are appropriate in the particular circumstances. For example, this may include an assessment of the type of clients that the referred services would be appropriate for.

PART 7 SUSPENSION AND REVOCATION OF REGISTRATION

7.1 General

Registration remains effective until it is suspended or terminated by a triggering event; there is no annual or other renewal requirement. Triggering events include the following: an individual ceasing to have a sponsoring firm, the regulator's acceptance of a request from the registrant to surrender registration or suspension or revocation of registration by the regulator or securities regulatory authority. Suspension is a restricted state of registration.

7.2 Transfer or termination of a registrant's employment

If a registered firm terminates the employment, partnership or agency relationship of a registered individual for any reason (e.g. the individual resigns, is dismissed, retires etc.), the firm has five days after the effective date of the individual's termination in which to file the prescribed notice of termination (Form 33-109F1). If the termination notice indicates that the individual resigned or was dismissed (and not retired or completed a temporary employment contract), the former sponsoring firm has 30 days from the date of termination in which to file additional prescribed information concerning the reasons for the termination. This

information is necessary for the regulator to determine whether there may be concerns about the individual's conduct that would be relevant to his or her suitability for registration.

7.3 Automatic suspension

The registration of an individual whose only registered employment, partnership or agency relationship is terminated by his or her sponsoring firm will be automatically suspended as of the effective date of the termination. If the registration of a firm is suspended, the registration of each of its individual dealing or advising representatives is suspended. If the registration of a firm is revoked, the registration of all of its representatives is suspended. An individual's registration will also be automatically suspended if his or her sponsoring firm is required to be an SRO member and the SRO revokes or suspends the firm's membership or the individual's approval.

There is no opportunity to be heard in the case of an automatic suspension.

A suspended registrant must cease activity that requires registration but otherwise remains a registrant, subject to the jurisdiction of the securities regulator.

7.4 Automatic reinstatement

An individual who leaves a sponsoring firm, voluntarily or involuntarily, is automatically suspended. If the individual joins another sponsoring firm within 90 days of leaving the previous position the individual will be reinstated automatically, provided the individual is seeking registration in the same category as previously held. This means that as a practical matter, a registrant who transfers directly from one sponsoring firm to another may start engaging in activities requiring registration from the first day with the new firm, provided the new firm has filed Form 33-109F4.

However, suitability for registration is an ongoing requirement and the regulator has discretionary power to revoke an individual's registration or restrict it with conditions at any time. If the regulator receives information from the termination notice or other sources that calls into question the individual's continued suitability for registration, the regulator may use this power. The individual will be provided with an opportunity to be heard before the regulator revokes registration or imposes conditions.

If the individual joins another sponsoring firm more than 90 days after leaving the previous position, an initial application for registration will have to be filed by the new sponsoring firm. The individual will not be able to conduct activities requiring registration until the regulator has granted registration.

7.5 Surrender of registration

A registrant that intends to cease activity requiring registration may apply to surrender its registration. The surrender of registration will take effect upon notice from the regulator that it has been accepted. Until such notice is received, the individual or firm remains registered. Before accepting a firm's surrender, the regulator will require evidence that its clients have been dealt with appropriately. This is not necessary in the case of an individual who applies to surrender registration, as the sponsoring firm will continue to be responsible for the discharge of obligations to clients who may have been served by the individual. The regulator has the authority to suspend the registration of a registrant that has applied to surrender it.

An individual who wants to terminate his or her registration does not need to apply to surrender his or her registration. The individual may simply resign from his or her sponsoring firm and allow the 90 day suspension period to lapse. However, an individual may apply to surrender registration if, for example, he or she is registered in multiple jurisdictions with the same sponsoring firm and wishes to have his or her registration revoked in one or more of them, while remaining registered elsewhere with that same sponsoring firm.

The regulator may consider the following when reviewing a registered firm's application to surrender its registration:

- whether the firm has ceased carrying on activity requiring registration already or proposes an effective date within six months of the date of the application to surrender (revocation of registration to take effect on or after that date as notified by the regulator)
- whether at the time of filing the application to surrender, any previously outstanding fees and filings have been brought up-to-date in a satisfactory manner
- whether the application to surrender registration has:
    (i) disclosed the firm's reasons for ceasing to carry on activity requiring registration;

(ii) provided satisfactory evidence that the firm has given all of its clients reasonable notice of its intention to cease carrying on activity requiring registration, including an explanation of what that will mean for them in practical terms;

(iii) included copies of the firm's most recent unaudited financial statements; and

(iv) where the firm is a member of an SRO, provided evidence that it has provided appropriate notice to the SRO

- whether the regulator has received or waived receipt of the following from the registrant in satisfactory form, supported by an officer's or partner's certificate and auditor's comfort letter:

(i) evidence the firm has resolved all outstanding client complaints (including litigation, judgments and liens) or made reasonable arrangements to deal with and fund payments in respect of them, as well as any subsequent client complaints or settlements/liabilities;

(ii) confirmation that all money or securities owed to clients has been returned or transferred to another registrant, wherever possible in accordance with client instructions;

(iii) up-to-date audited financial statements; and

(iv) where it is a member of an SRO, evidence that it has satisfied the SRO's requirements for withdrawal from membership.

The regulator will have reference to all information provided by the registrant and any other regulatory concerns that pertain to the registrant, including undischarged conditions of registration and compliance issues among other things, in determining whether it would be prejudicial to the public interest to accept the surrender of registration.

Depending on the circumstances, individuals who were directors and officers of a registered firm that has failed to comply with the surrender procedure may not be considered eligible for registration or to be a permitted director or officer of another registrant unless the non-compliant firm brings itself into compliance.

PART 8 EXEMPTIONS FROM REGISTRATION

8.1 Mobility exemption

In limited circumstances, the mobility exemption allows a registrant to continue dealing with a client, and certain family members of that client, that moves to a different jurisdiction without registering in that other jurisdiction. Relocation of a client to another jurisdiction triggers the availability of the mobility exemption.

Under section 9.20 of NI 31-103, a person or company must give notice to the securities regulatory authority in the jurisdiction in which it is dealing in securities or advising in securities in reliance on the mobility exemption as soon as practicable after relying on the exemption. A person or company should indicate which exemption it is relying on in an e-mail sent to the e-mail addresses set out in Form 31-101F2. The notice should also contain the name of the firm, the applicable individual representative and the principal regulator.

A firm's compliance system must have appropriate policies and procedures for supervision of individual representatives relying on a mobility exemption. As well, registrants must keep appropriate records to demonstrate compliance with the conditions of the mobility exemptions.

PROPOSED FORM 33-109F1 – NOTICE OF TERMINATION

Complete this form to notify the appropriate Canadian securities regulator(s) or self-regulatory organization(s) (SRO) that a registered individual or permitted person has left the sponsoring firm.

Complete the paper version of this form if you are relying on the temporary hardship exemption in MI 31-102. Otherwise, complete and submit this form online at the national registration database (NRD) website at www.nrd.ca.

If you need more space, use a separate sheet of paper, clearly identifying the section and item. Please complete and sign the form, and send it to the appropriate Canadian securities regulator(s) or SRO(s).

A. Information about the terminating firm

1. Name

2. NRD number

B. Information about the terminated individual

1. Name

2. NRD number

C. Business location of the terminated individual

1. Address

2. NRD number

D. Information about the termination

1. Effective date DD/MM/YYYY

2. Reason for the termination

(check one)

			Yes	No
Resigned	☐	... for cause?	☐	☐
Dismissed	☐	…for cause?	☐	☐
Completed temporary employment contract	☐			
Retired	☐			
Deceased	☐			
Other (provide details)	☐			

E. Further details

(You do not have to provide the information in this Part unless the individual resigned or was dismissed. If so, you have until 30 days after the effective date of the termination to file your responses to the questions in this Part – the remainder of the Form should still be filed within 5 days of the effective date of the termination.)

If the individual resigned or was dismissed (whether or not for cause), explain why in the space provided and answer the following questions to the best of the firm's knowledge.

Reasons for dismissal or termination:

If the answer to any of the following questions is "yes", provide details (you may cross-reference the information provided immediately above if the relevant details have been set out there). Answers should be with reference to events in the past twelve months.

		Yes	No
1.	If the individual resigned, was the resignation solicited by the firm?	☐	☐
2.	Was the individual charged with any criminal offence?	☐	☐
3.	Was the individual subject to any significant internal disciplinary measures at the firm or any affiliate of the firm?	☐	☐
4.	Did any investors allege they lost money because the individual acted inappropriately? Such allegations include written complaints, civil actions and arbitration notices.	☐	☐
5.	Does the individual have any undischarged financial obligations to clients of the firm? Examples include accounts which are not fully secured, margined or paid and in the opinion of the firm, are the result of bad business or credit practices on the part of the individual.	☐	☐
6.	Has the firm or any affiliate suffered monetary loss or harm to its reputation as a result of the individual's actions?	☐	☐
7.	Did the firm or any affiliate investigate the individual in connection with possible material violations of fiduciary duties, regulatory requirements or the compliance policies and procedures of the firm or any affiliate? Examples include making unsuitable trades or investment recommendations, stealing or borrowing client money or securities, hiding losses from clients, forging client signatures, money laundering, deliberately making false representations and engaging in undisclosed outside business activity.	☐	☐
8.	Did the individual demonstrate a pattern of failing to follow compliance policies and procedures of the firm or any affiliate?	☐	☐
9.	Did the individual engage in discretionary management of client accounts or otherwise engage in registerable activity without appropriate registration or without the firm's authorization?	☐	☐
10.	Is there any other matter relating to the individual's termination or conduct leading up to it that the firm is aware of and believes is relevant to his or her suitability for registration?	☐	☐

F. Collection of personal information

Securities regulators may collect the personal information on this form only under the requirements in securities and/or derivatives legislation and may only use this information to administer and enforce provisions of the securities and/or derivatives legislation.

If you have any questions about the collection and use of this personal information, you can contact the securities regulator in the relevant jurisdiction. See Schedule A for details. In Québec, you can also contact the Commission d'accès à l'information at 1-888-528-7741 or visit its website at www.cai.gouv.qc.ca.

G. Warning

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue. In addition, failure to report materially significant information may lead to regulatory sanctions, including a fitness for registration review, or enforcement action against the firm and/or persons responsible for preparing this form. It should not be assumed that information is known to any securities regulatory authority merely because it

is in the public domain or has previously been disclosed to one or more of them or any other regulatory body. If there is any doubt about the relevance of information, it should be included.

H. Certification

Use the following certification when submitting this form in NRD format:

> [ ] I am making this submission as agent for the NRD filer. By checking this box, I certify that all statements of fact in this submission were provided to me by a duly authorized firm representative of the NRD filer, who has confirmed to me that he or she has read and understood the warning set out above and that the information in this form is accurate and complete to the best of his or her knowledge and belief.

Use the following certification when submitting this form in paper format:

> I certify that I have read and understand the warning set out above and that the information in this form is accurate and complete to the best of my knowledge and belief.

Name of firm

Name of authorized signing officer

Title of authorized signing officer

Signature

Date signed (DD/MM/YYYY)

PROPOSED FORM 33-109F4 – APPLICATION FOR REGISTRATION OF INDIVIDUALS AND PERMITTED INDIVIDUALS

In this form, "you", "your" and "applicant" mean the person who is applying for registration or approval as an individual under [the national registration rule].

"Sponsoring firm" means the registered firm where you will carry out your duties as a registered or permitted individual.

Several terms used in this form are defined in the securities legislation of your province or territory. Please refer to those local definitions.

[Online version] If you have questions, please contact an authorized officer of your sponsoring firm or a legal adviser, or visit the national registration database (NRD) information website at www.nrd-info.ca.

[Paper version] Complete this form if you are relying on the temporary hardship exemption in MI 31-102. Otherwise, complete and submit this form online at the national registration database (NRD) website at www.nrd-info.ca.

If you need more space, use a separate sheet of paper, clearly identifying the section and item. Please complete and sign the form, and send it to the appropriate Canadian securities regulator(s), self-regulatory organization (SRO) or similar authority. The number of originally signed copies of the form you are required to submit depends on the province or territory, and jurisdiction.

Failure to answer all applicable questions may cause delays in the processing of the application form.

If you have questions, please contact an authorized officer of your sponsoring firm or a legal adviser, or visit the national registration database (NRD) information website at www.nrd-info.ca.

Item 1 – Name

1. Legal name

_____

Last Name First Name Second Name (N/A ☐) Third Name (N/A ☐)

2. Other personal names

Are you currently, or have you ever been, known by any names other than your full legal name above?

Yes ☐ No ☐

If "yes", complete Schedule A

3. Business names

Are you currently, or have you ever used, operated under, or carried on business under any name (e.g., trade names or style names) other than the name(s) mentioned above?

Yes ☐ No ☐

If "yes", complete Schedule A

Item 2 – Residential address

Provide all residential addresses, including any foreign residential addresses, for the past 10 years.

1. Current residential address

Number, street

City, province, territory or state, country, postal code

Telephone number:

Lived at this address since (YYYY/MM)
If you have resided at this address for less than 10 years, complete Schedule B.

2. Mailing address

☐ Check here if your mailing address is the same as your current residential address provided above. Otherwise, complete the following:

Number, street

City, province, territory or state, country, postal code

Item 3 – Personal information

1. Date of birth (YYYY/MM/DD)

2. Place of birth

City, province, territory or state, country

3. Gender

Female ☐ Male ☐

4. Eye colour

5. Hair colour

6. Height _____ ☐ in. _____ ☐ cm.

7. Weight _____ ☐ lbs. _____ ☐ kg.

Item 4 – Citizenship

Citizenship information

What is your citizenship?
☐ Canadian
☐ Other, specify:

If you are a citizen of another country besides Canada, complete the following for that other citizenship:
Passport number:
Country of citizenship:
Date of issue:
(YYYY/MM/DD)
Place of issue:
(city, province, territory or state, country)

Item 5 – Registration jurisdictions

Indicate, by checking the appropriate box, each province or territory to which you are submitting this form:

☐ Alberta
☐ British Columbia
☐ Manitoba
☐ New Brunswick
☐ Newfoundland and Labrador
☐ Northwest Territories
☐ Nova Scotia
☐ Nunavut
☐ Ontario
☐ Prince Edward Island
☐ Québec

☐ Saskatchewan
☐ Yukon

Item 6 – Individual categories

Indicate, by checking the appropriate box in Schedule C, each registration category for which you are applying. If you are a permitted individual, indicate each category that describes your position with your sponsoring firm.

Item 7 – Address and agent for service

1. Address for service

You must have one address for service in each province or territory where you are submitting this form. A post office box is not an acceptable address for service. A residential address is acceptable. Complete Schedule D for each additional address for service you are providing.

Address for service:

Number, street

City, province or territory, postal code

Telephone number Fax number, if available

E-mail address, if available

2. Agent for service

If you have appointed an agent for service, provide the following information for the agent in each province or territory where you have an agent for service. The address of your agent for service must be the same as the address for service above. If your agent for service is a firm, also provide the name of your contact person.

Name for agent for service:

Contact person:
Last name, First name

Item 8 - Proficiency

1. Course or examination information

Complete Schedule E to indicate each course and examination that you have successfully completed or have been exempted from. Under "Other", include any post-secondary education and all degrees and diplomas that are relevant to the registration that you are applying for.

2. Student numbers

If you have a student number for a course that was successfully completed with one of the following institutions, provide it below:
Canadian Securities Institute (CSI):
Investment Funds Institute of Canada (IFIC):
Institute of Canadian Bankers (ICB):
CFA Institute:
Canadian Association of Insurance and Financial Advisors (CAIFA):

3. Exemption refusal

Has any securities regulatory authority or self-regulatory organization refused to grant you an exemption from a course, examination or experience requirement?

Yes ☐ No ☐

If "Yes", complete Schedule F.

Item 9 – Location of employment

Provide the following information for the location of the sponsoring firm at which you will be working. If you will be working out of more than one location, provide the following information for the location out of which you will be doing most of your business.

NRD location number:
Branch Transit number/Cost Centre number, if applicable:
Business address:
(number, street, city, province, territory or state, country, postal code)
Telephone number: ( ) Fax number: ( )

[The following is for the paper version only]
Type of Location: ☐Head Office ☐Branch ☐Sub-branch
Name of Branch Manager:
Effective date:

☐ Check here if the mailing address of the location is the same as the business address provided above. Otherwise, complete the following:
Mailing address:
(number, street, city, province, territory or state, country, postal code)

Item 10 - Current employment and other business activities

On Schedule G, provide the information requested for each of your current business and employment activities, including those with your sponsoring firm and outside of your sponsoring firm. If you are applying for a type of registration that requires specific experience, include details of that experience (for example, level of responsibility, value of accounts under direct supervision, number of years of that experience and research experience, as well as percentage of time spent on each activity).

Item 11 - Previous employment

On Schedule H, provide complete employment history for the 10-year period before the date of this application.

Item 12 – Resignations and terminations

Have you ever resigned, been terminated or discharged by an employer for cause from a position following allegations that you:

a) Violated any statutes, regulations, rules or standards of conduct?

Yes ☐ No ☐

If “Yes”, complete Schedule I

b) Failed to supervise compliance with any statutes, regulations, rules or standards of conduct?

Yes ☐ No ☐

If “Yes”, complete Schedule I

c) Committed fraud or the wrongful taking of property, including theft?

Yes ☐ No ☐

If “Yes”, complete Schedule I

Item 13 – Regulatory disclosure

In this form, "derivatives" means financial instruments, such as futures contracts, options and swaps whose market price, value or payment obligations are derived from or based on one or more underlying interests. Derivatives can be in the form of instruments, agreements or securities.

"Major shareholder" means a shareholder who, in total, directly or indirectly holds voting securities carrying 10 per cent or more of the votes carried by all outstanding voting securities.

"Approved person" means, in respect of a member of the IDA (Member), an individual who is a partner, director, officer, employee or agent of a Member who is approved by the IDA or another Canadian self-regulatory organization to perform any function required under any IDA By-law, Regulation, or Policy.

1. Securities regulatory authorities

a) Are you now, or have you ever been, registered or licensed with any securities regulator in any province, territory, state or country to trade in or advise on securities or derivatives?

Yes ☐ No ☐

☐ Check here if the information has been recorded on NRD under the NRD number you are using to make this submission. Otherwise, complete Schedule J, section 1(a)

b) Have you ever been refused registration or a license to trade in or advise on securities or derivatives in any province, territory state or country?

Yes ☐ No ☐

If "Yes", complete Schedule J, section 1(b)

c) Have you ever been denied the benefit of any exemption from registration provided by any securities regulator in any province, territory, state or country, other than what was disclosed in Item 8(3) of this form?

Yes ☐ No ☐

If "Yes", complete Schedule J, section 1(c)

d) Are you now, or have you ever been subject to any disciplinary proceedings or any order resulting from disciplinary proceedings under any securities legislation or derivatives legislation in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule J, section 1(d)

2. Self-regulatory organizations

a) Are you now, or have you ever been, an approved person of a self-regulatory organization or similar organization in any province, territory, state or country?

Yes ☐ No ☐

☐ Check here if the information has been recorded on NRD under the NRD number you are using to make this submission. Otherwise, complete Schedule J, section 2(a).

b) Have you ever been refused becoming an approved person of a self-regulatory organization or similar organization in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule J, section 2(b).

c) Are you now, or have you ever been, subject to any disciplinary proceedings conducted by any self-regulatory organization or similar organization in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule J, section 2(c).

3. Non-securities regulation

a) Are you now, or have you ever been, registered or licensed under any legislation which requires registration or licensing to deal with the public in any capacity other than to trade in or advise on securities or derivatives in any province, territory, state or country (e.g. insurance, accountant, lawyer, teacher)?

Yes ☐ No ☐

If "Yes", complete Schedule J, section 3(a)

b) Have you ever been refused registration or a license under any legislation relating to your professional qualifications unrelated to securities in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule J, section 3(b)

c) Are you now, or have you ever been a subject of any disciplinary actions conducted under any legislation relating to your professional qualifications unrelated to securities in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule J, section 3(c)

Item 14 – Criminal disclosure

Offences under federal statutes such as the *Income Tax Act (Canada)* and the *Immigration Act (Canada)* constitute criminal offences and must be disclosed when answering this question. It should be noted that pleas or findings of guilt for impaired driving are *Criminal Code (Canada)* matters and must be disclosed. Where you have pleaded guilty or been found guilty of an offence, such offence must be reported even though an absolute or conditional discharge has been granted.

You are not required to disclose speeding, parking violations or any offence for which a pardon has been granted under the *Criminal Records Act (Canada)* and such pardon has not been revoked. Under such circumstances, the appropriate response would be "No".

If you do not tell us about an offence under any statute other than the *Young Offenders Act (Canada),*we may treat it as a non-disclosure of material information.

a) Are there any outstanding or stayed charges against you alleging an offence that was committed in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule K, section (a).

b) Have you ever been convicted of, or pleaded guilty or no contest to, or were granted an absolute or conditional discharge from, any offence that was committed in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule K, section (b).

c) Are there any outstanding charges against any firm of which you were, at the time the offence was alleged to have taken place in any province, territory, state or country, a partner, director, officer or major shareholder?

Yes ☐ No ☐

If "Yes", complete Schedule K, section (c).

☐ Check here if the firm is your sponsoring firm or a firm that is or was registered in a Canadian jurisdiction and identified in response to Item 13(1)(a) and/or recorded on NRD. Otherwise, complete Schedule K, section (c).

d) Has any firm, when you were a partner, officer, director or major shareholder, ever been convicted of or pleaded guilty or no contest to, or was granted an absolute or conditional discharge from, an offence that was committed in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule K, section (d).

☐ Check here if the firm is your sponsoring firm or a firm that is or was registered in a Canadian jurisdiction and identified in response to Item 13(1)(a) and/or recorded on NRD. Otherwise, complete Schedule K, section (d).

Item 15 – Civil disclosure

a) Are there currently any outstanding civil actions alleging fraud, theft, deceit, misrepresentation, or similar conduct against you in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule L, section (a).

b) Have you ever been a defendant or respondent in any civil proceeding in which fraud, theft, deceit, misrepresentation, or similar conduct is, or was, successfully established in a judgement in any province, territory, state or country?

Yes ☐ No ☐

If "Yes", complete Schedule L, section (b).

Item 16 – Financial disclosure

1. Bankruptcy

Under the laws of any applicable jurisdictions, have you, or has any firm when you were a partner, director, officer or major shareholder of that firm:

a) Had a petition in bankruptcy issued against you or the firm or made a voluntary assignment in bankruptcy?

Yes ☐ No ☐

If "Yes", complete Schedule M, section 1(a)

b) Made a proposal under any legislation relating to bankruptcy or insolvency?

Yes ☐ No ☐

If "Yes", complete Schedule M, section 1(b)

c) Been subject to proceedings under any legislation relating to the winding up, the dissolution or the companies' creditors arrangement?

Yes ☐ No ☐

If "Yes", complete Schedule M, section 1(c)

d) Been subject to or initiated any proceedings, arrangement or compromise with creditors. This includes having a receiver, receiver-manager, administrator or trustee appointed by or at the request of creditors, privately, through court process or by order of a regulator, to hold your assets?

Yes ☐ No ☐

If "Yes", complete Schedule M, section 1(d)

2. Debt Obligations

Have you ever failed to meet a financial obligation of $5,000 or more as it came due, or has any firm, while you were a partner, director, officer or major shareholder of, failed to meet a financial obligation as it came due?

Yes ☐ No ☐

If "Yes", complete Schedule M, section 2.

3. Surety bond or fidelity bond

Have you ever been refused for a surety or fidelity bond?

Yes ☐ No ☐

If "Yes", complete Schedule M, section 3.

4. Garnishments, unsatisfied judgements or directions to pay

Has any federal, provincial, territorial or state authority ever issued any of the following against you:

	Yes	No
Garnishment	☐	☐
Unsatisfied judgement	☐	☐
Direction to pay	☐	☐

If "Yes", complete Schedule M, section 4.

Item 17 – Ownership of securities firms

Are you now, or have you ever been, a partner or major shareholder of any firm (including your sponsoring firm) whose business is trading in or advising on securities or derivatives?

Yes ☐ No ☐

If "Yes", complete Schedule N

☐ Check here if the information has been recorded on NRD under the NRD number you are using to make this submission. Otherwise, complete Schedule N.

Agent for service

By submitting this form, you certify that in each Canadian jurisdiction where you have appointed an agent for service, you have completed the appointment of agent for service required in that jurisdiction.

Submission to jurisdiction

By submitting this form, you:

- are subject to the securities and/or derivatives legislation of each Canadian jurisdiction and you agree that you are subject to the by-laws, regulations, rules, rulings and policies (hereunder collectively referred to as "rules") of the self regulatory organizations (SROs) to which you have submitted this form, including the jurisdiction of any tribunals or any proceedings that relate to your activities as a registrant or a partner, director or officer of a registrant under that securities and/or derivatives legislation or as an Approved Person under those SRO rules.

Collection and use of personal information

Securities regulators require personal information about you as part of the review of your application for registration or approval, and if you are approved, to assess whether you continue to meet the registration requirements.

This information is collected under the requirements set out in securities and/or derivatives legislation and SRO rules and will only be used to administer and enforce provisions of this legislation or SRO rules. In addition to personal information collected on this form, securities regulators may also need to collect personal information from other government organizations, law enforcement bodies, self regulatory bodies and private sector organizations. This information may include police records, regulatory records, credit records and other employment records.

By submitting this form, you consent to the collection and disclosure of your personal information by securities regulators for registration and other related regulatory purposes.

If you have any questions about the collection and use of your personal information, contact the securities regulator in the relevant jurisdiction. Please see Schedule O for details. In Québec, you can also contact the Commission d'accès à l'information at 1-888-528-7741 or visit its website at www.cai.gouv.qc.ca.

Self-Regulatory Organizations

The principal purpose for the collection of personal information is to assess your suitability for registration or approval and to assess your continued fitness for registration or approval in accordance with the applicable securities legislation and the rules of the self-regulatory organizations.

By submitting this application, you authorize the self-regulatory organizations to which this application is submitted to collect any information from any source whatsoever, including, but not limited to, personal confidential information about you that is otherwise protected by law such as, police, credit, employment, education and proficiency course completion records, and records from other government or non-governmental regulatory authorities, securities commissions, stock exchanges, or other self-regulatory organizations, private bodies, agencies, individuals or corporations, as may be necessary for the self-regulatory organizations to complete their review of your application or continued fitness for registration or approval in accordance with their rules for the duration of the period you remain so registered or approved. You further consent to and authorize the transfer of confidential information between self-regulatory organizations, securities commissions or stock exchanges to which you now, or may in the future, apply for registration or approval, or with which you are currently registered or approved for the purpose of determining fitness or continued fitness for registration or approval or in connection with the performance of an investigation or other exercise of regulatory authority, whether or not you are registered with or approved by them.

By submitting this application, you certify that you are conversant with the rules of the applicable self-regulatory organizations of which you are seeking registration or approval or of which your sponsoring firm is a member or participating organization. You also undertake to become conversant with the rules of any self-regulatory organizations of which you or your sponsoring firm becomes a member or participating organization. You agree to be bound by, observe and comply with these rules as they are from time to time amended or supplemented, and you agree to keep yourself fully informed about them as they are amended and supplemented. You submit to the jurisdiction of the self-regulatory organizations to which you are applying for registration or approval, or of which your sponsoring firm is now or in the future becomes a member or participating organization and, wherever applicable, their Governors, Directors and Committees. You agree that any registration or approval granted pursuant to this application may be revoked, terminated or suspended at any time in accordance with the then applicable rules of the respective self-regulatory organizations. In the event of any such revocation or termination, you must terminate all activities which require registration or approval and, thereafter, not perform services that require registration or approval for any member of the self-regulatory organizations or any approved affiliated company or other affiliate of such member without obtaining the approval of or registration with the self-regulatory organizations, in accordance with their rules.

By submitting this application, you undertake to notify the self-regulatory organizations to which you are applying for registration or approval or with which you are currently or may in the future be registered or approved of any material change to the information herein provided in accordance with their respective rules. You agree to the transfer of this application form, without amendment, to other self-regulatory organizations in the event that at some time in the future you apply to such other self-regulatory organizations for registration or approval.

You certify that you have discussed the questions in this application, together with this Agreement, with an Officer or Branch Manager of your sponsoring member firm and, to your knowledge and belief, the authorized Officer or Branch Manager was satisfied that you fully understood the questions and the terms of this Agreement. You further certify that your business activities will be limited strictly to those permitted by the category of your registration or approval.

It is an offence under securities and/or derivatives legislation to provide false or misleading information on this form.

[Online version]

Certification

☐ I am making this submission as agent for the applicant. By checking this box, I certify that the applicant provided me with all of the information on this form.

[Paper version]

Signatures

Applicant

By signing below, you confirm that:

- you have read and understand the questions in this form
- you understand that it is an offence under the securities and/or derivatives legislation to provide false or misleading information on this form
- all of the information provided on this form is true.

Signature of applicant

Date

Authorized partner or officer

By signing below, you confirm that:

- the applicant will be engaged by the sponsoring firm as a registered individual or a permitted individual
- you have discussed the questions set out in this form with the applicant and are satisfied that he or she fully understands the questions.

Name of firm

Name of authorized signing officer

Title of authorized signing officer

Signature

Date signed (YYYY/MM/DD)

SCHEDULE A

Name
Item ☐1

Other personal names
Last name First name Second name (*if applicable*) Third name (*if applicable*)

Provide the reasons for the use of this name (for example, marriage, divorce, court order, commonly used name, nickname, style names or trade names).
When did you use this name? From: (YYYY/MM) To: (YYYY/MM)

Last name First name Second name (*if applicable*) Third name (*if applicable*)

Provide the reasons for the use of this name (for example, marriage, divorce, court order, commonly used name, nickname, style names or trade names).
When did you use this name? From: (YYYY/MM) To: (YYYY/MM)

Last name First name Second name (*if applicable*) Third name (*if applicable*)

Provide the reasons for the use of this name (for example, marriage, divorce, court order, commonly used name, nickname, style names or trade names).
When did you use this name? From: (YYYY/MM) To: (YYYY/MM)

Business names
Name:

Provide the reason(s) for the use of this name:

When did you use this name? From: (YYYY/MM) To: (YYYY/MM)

If the name is/was used in connection with your sponsoring firm, did the sponsoring firm approve the use of the name?

Name:

Provide the reason/s for the use of this name:

When did you use this name? From: (YYYY/MM) To: (YYYY/MM)

SCHEDULE B

Residential address
Item ☐2

Previous addresses
A postal code (or ZIP code) and a telephone number are not required for any previous address.

Residential address:
(number, street, city, province, territory or state, country)
When did you live at this address? From: (YYYY/MM) To: (YYYY/MM)

Residential address:
(number, street, city, province, territory or state, country)
When did you live at this address? From: (YYYY/MM) To: (YYYY/MM)

Residential address:
(number, street, city, province, territory or state, country)
When did you live at this address? From: (YYYY/MM) To: (YYYY/MM)

Residential address:
(number, street, city, province, territory or state, country)
When did you live at this address? From: (YYYY/MM) To: (YYYY/MM)

Residential address:
(number, street, city, province, territory or state, country)
When did you live at this address? From: (YYYY/MM) To: (YYYY/MM)

SCHEDULE C

Individual Categories
Item ☐ 6

Categories Indicate, by checking the appropriate box, each category for which you are applying.

Individual Category Information
Relationship with Sponsoring Firm
□ Officer
□ Partner
□ Director
□ Sole Proprietor
□ Investor
□ Representative – Employee
□ Representative – Non-Employee
Supervisory Roles
□ Compliance Officer
□ Branch Manager
□ Co-Branch Manager
□ Assistant Branch Manager
□ Chief Compliance Officer
□ Ultimate Designated Person
□ Alternate Designated Person
□ Designated Options Principal
□ Alternate Options Principal
□ Designated Futures Options Principal
□ Alternate Futures Options Principal
□ Futures Contract Options Supervisor
Products
□ Securities
□ Mutual Funds
□ Scholarship Plans
Traders
□ Floor Trader
□ Floor Broker
□ Local
□ Trader – CATS
□ Trader – TradeCDNX
□ Trader – Commodity Floor Trader
Registration by Jurisdiction
Trading Advising Associate
Alberta□□□
British Columbia□□□
Manitoba□□□
New Brunswick□□□
Newfoundland and Labrador□□□
Northwest Territories□□□
Nova Scotia□□□
Nunavut□□□
Ontario□□□
Prince Edward Island□□□
Québec□□□
Saskatchewan□□□
Yukon□□□
Investment Dealers Association of Canada – Additional Information
Partner, Director, Investor (check one)
□ Industry
□ Non-Industry
Representative (check one)
□ Registered Representative
□ Investment Representative

SCHEDULE D

Address and agent for service
Item ☐ 7

1. Address for service
You must have one address for service in each province or territory in which you are now, or are applying to become, a registered individual or permitted individual. A post office box is not an acceptable address for service.
Address for service:
(number, street, city, province or territory, postal code)
Telephone number: ( ) Fax number: ( )
E-mail address:

2. Agent for service
If you have appointed an agent for service, provide the following information for the agent. The address for service provided above must be the address of the agent named below.
Name of agent for service:
(if applicable)
Contact person:
Last name First name

SCHEDULE E

Proficiency
Item ☐ 8

COURSE OR EXAMINATION DATE
COMPLETED
DATE EXEMPTED AND BY WHICH
JURISDICTION OR REGULATOR
(YYYY/MM/DD)

OTHER

SCHEDULE F

Proficiency
Item ☐ 8

Exemption refusal
Complete the following for each exemption that was refused.

Which securities regulatory authority or self-regulatory organization refused to grant the exemption?
State the name of the course, examination or experience requirement:
State the reason given for not being granted the exemption:
Date exemption refused: (YYYY/MM/DD)

Which securities regulatory authority or self-regulatory organization refused to grant the exemption?
State the name of the course, examination or experience requirement:
State the reason given for not being granted the exemption:
Date exemption refused: (YYYY/MM/DD)

SCHEDULE G

Current employment and other business activities
Item ☐ 10

☐ Full-time student
☐ Employed or self-employed

From:
(YYYY/MM/DD)

You are only required to fill in the following if you have indicated above that you are employed or self-employed.

Current Employment information
☐ Check here if your employment is with your sponsoring firm. If not, provide the following information:

Name of business or employer:

Address of business or employer:
(number, street, city, province, territory or state, country)

Name and title of your immediate supervisor:

For your sponsoring firm, include the duties you currently perform and intend to perform.

Describe all other employment or business activities, whether or not the activities are related to investments. Include the nature of the business, your duties, start date, title or relationship with the business (including director or officer positions).

Indicate the number of hours per week you will be devoting to this business or employment.

☐ Check here if you are working more than 30 hours per week for the sponsoring firm. Otherwise, explain why you are working less than 30 hours per week for the sponsoring firm.

Disclose any potential for confusion by clients and any potential for conflicts of interest arising from your proposed activities as a registrant with affiliated or unaffiliated sponsoring firm(s) and with the other business described above (include whether the other business is listed on an exchange). Confirm whether the firm has procedures for minimizing potential conflicts of interest and confirm that you are aware of these procedures.

SCHEDULE H

Previous employment
Item ☐ 11

Provide the information requested for your previous business and employment activities for the 10-year period before the date of this application. Account for all time including full and part-time employment, self-employment, military service and homemaking. Include statuses such as unemployed, full-time education, extended travel, or other similar statuses. (Please do not include short-term employment (four months or less) while a student unless it was in the securities industry.)

In addition, provide the information requested for all of your securities or derivatives (including exchange contracts and options) business and employment activities during and prior to the ten-year period.

☐ Unemployed
☐ Full-time student
☐ Employed or self-employed

From: (YYYY/MM)
To: (YYYY/MM)

You are only required to fill in the following if you have indicated above that you are, or were, employed or self-employed.

Start date: (YYYY/MM) End date: (YYYY/MM)

Name of business or employer:

Address of business or employer:

Number, street

City, province, territory or state, country

Name and title of immediate supervisor, if applicable.

Describe the firm's business, your position, duties and your relationship to the firm. If you are applying for a type of registration that requires specific experience, include details of that experience (for example, level of responsibility, value of accounts under direct supervision, number of year of that experience and research experience, as well as percentage of time spent on each activity):

Reason why you left the firm

Start date: (YYYY/MM) End date: (YYYY/MM)

Name of business or employer:

Address of business or employer:

Number, street

City, province, territory or state, country

Name and title of immediate supervisor, if applicable.

Describe the firm's business and your duties. If you applying for a type of registration that requires specific experience, include details of that experience (for example, level of responsibility, value of accounts under direct supervision, number of year of that experience and research experience, as well as percentage of time spent on each activity):

Reason why you left the firm

SCHEDULE I

Resignations and terminations
Item ☐ 12

For each resignation, termination or employment that was discharged for cause, indicate below, (1) the name of the firm from which you resigned, were terminated or discharged for cause, (2) whether you resigned, were terminated or discharged for cause, (3) the date you resigned, were terminated or discharged for cause, and (4) the circumstances relating to your resignation, termination or discharge for cause.

SCHEDULE J

Regulatory disclosure
Item ☐13

1. Securities regulatory authorities

a) For each registration or license, indicate below (1) the name of the firm, (2) the securities regulatory authority with which you are, or were, registered or licensed, (3) the type or category of registration or license, and (4) the dates between which you held the registration or license.
…….

b) For each registration or license refused, indicate below (1) the name of the firm, (2) the securities regulatory authority that refused the registration or license, (3) the type or category of registration or license refused, (4) the date of the refusal, and (5) the reasons for the refusal.
……..

c) For each exemption from registration denied or license refused, *other than what was disclosed in Item 8(3) of this form*, indicate below (1) the party that was refused the registration or license, (2) the securities regulatory authority that refused the registration or license, (3) the type or category or registration or license refused, (4) the date of the refusal, and (5) the reasons for the refusal.
……..

d) For each order or disciplinary proceeding, indicate below (1) the name of the firm, (2) the securities regulatory authority that issued the order or is conducting or conducted the proceeding, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement (including any sanctions imposed), (6) whether you are or were a partner, director, officer or major shareholder of the firm and named individually in the order or disciplinary proceeding, and (7) any other relevant details.
……

2. Self-regulatory organizations

a) For each approval, indicate below (1) the name of the firm, (2) the self-regulatory organization which you are or were an approved person, (3) the categories of approval, and (4) the dates you held the approval.
…….

b) For each approval refused, indicate below (1) the name of the firm, (2) the self-regulatory organization that refused the approval, (3) the category of approval refused, (4) the date of the refusal, and (5) the reasons for the refusal.
……..

c) For each order or disciplinary proceeding, indicate below (1) the name of the firm, (2) the self-regulatory organization that issued the order or that is, or was, conducting the proceeding, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement (including any sanctions imposed), (6) whether you are or were a partner, director, officer or major shareholder of the firm and named individually in the order or disciplinary proceeding, and (7) any other information that you think is relevant or that is requested by the regulator.
……...

3. Non-securities regulation

a) For each registration or license, indicate below (1) the party who is, or was, registered or licensed, (2) with which regulatory authority, or under what legislation, the party is, or was, registered or licensed, (3) the type or category of registration or license, and (4) the dates between which the party held the registration or license.
……

b) For each registration or license refused, indicate below (1) the party that was refused registration or licensing, (2) with which regulatory authority, or under what legislation, the registration or license was refused, (3) the type or category of registration or license refused, (4) the date of the refusal, and (5) the reasons for the refusal.
……

c) For each order or disciplinary proceeding, indicate below (1) the party against whom the order was made or the proceeding taken, (2) the regulatory authority that made the order or that is, or was, conducting the proceeding, or under what legislation the order was made or the proceeding is being, or was conducted, (3) the date any notice of proceeding was issued, (4) the date any order or settlement was made, (5) a summary of any notice, order or settlement (including any sanctions imposed), (6)

whether you are or were a partner, director, officer or major shareholder of the firm and named individually in the order or disciplinary proceeding and (7) any other information that you think is relevant or that is requested by the regulator.

SCHEDULE K

Criminal disclosure
Item ☐ 14

Criminal offences
a) For each charge, indicate below (1) the type of charge, (2) the date of the charge, (3) any trial or appeal dates, and (4) the court location.

b) For each conviction, indicate below (1) the offence, (2) the date of the conviction, and (3) the disposition (state any penalty or fine and the date any fine was paid).

c) For each charge, indicate below (1) the name of the firm, (2) the type of charge, (3) the date of the charge, (4) any trial or appeal dates, and (5) the court location.

d) For each conviction, indicate below (1) the name of the firm, (2) the offence, (3) the date of the conviction, and (4) the disposition (state any penalty or fine and the date any fine was paid).

SCHEDULE L

Civil disclosure
Item ☐ 15

a) For each current and outstanding civil proceeding, state below (1) the dates the statement of claim and statement of defence were issued, (2) each plaintiff in the proceeding, (3) whether the proceeding is pending or on appeal, (4) whether the civil proceeding was about a firm where you are or were a partner, director, officer or major shareholder and whether you have been named individually in the allegations, and (5) the jurisdiction where the action is being pursued.

b) For each civil proceeding, state below (1) the dates the statement of claim and statement of defence were issued, (2) each plaintiff in the proceeding, (3) the jurisdiction where the action was pursued, (4) whether the civil proceeding was about a firm where you are, or were a partner, director, officer or major shareholder and whether you have been named individually in the allegations and (5) a summary of any disposition or any settlement over $10,000. (Disclosure must include those actions settled without admission of liability.)

SCHEDULE M

Financial Disclosure
Item ☐16

1. Bankruptcy

a) For each event, indicate below (1) the date of the petition or voluntary assignment, (2) the person or firm about whom this disclosure is being made, (3) any amounts currently owing, (4) the creditors, (5) the status of the matter, (6) a summary of any disposition or settlement, (7) date of discharge or release, if applicable, and (8) any other information that you think is relevant or that is requested by the regulator.

b) For each event, indicate below (1) the date of the proposal, (2) the person or firm about whom this disclosure is being made, (3) any amounts currently owing, (4) the creditors, (5) the status of the matter, (6) a summary of any disposition or settlement, and (7) any other information that you think is relevant or that is requested by the regulator.

c) For each event, indicate below (1) the date of the proceeding, (2) the person or firm about whom this disclosure is being made, (3) the status of the matter, (4) a summary of any disposition or settlement, and (5) any other information that you think is relevant or that is requested by the regulator.

d) For each proceeding, arrangement or compromise with creditors, indicate below (1) the date of proceeding, (2) the person or firm about whom this disclosure is being made, (3) the status of the matter, (4) a summary of any disposition or settlement, and (5) any other information that you think is relevant or that is requested by the regulator.

2. Debt Obligation

For each event, indicate below (1) the person or firm that failed to meet its financial obligation, (2) the amount that was owing at the time the person or firm failed to meet its financial obligation, (3) the person or firm to whom the amount is, or was, owing, (4) any relevant dates (for example, when payments are due or when final payment was made), (5) any amounts currently owing, and (6) any other information that you think is relevant or that is requested by the regulator.

3. Surety Bond or Fidelity Bond

For each bond refused, indicate below (1) the name of the bonding company, (2) the address of the bonding company, (3) the date of the refusal, and (4) the reasons for the refusal.

4. Garnishments, Unsatisfied Judgements or Directions to Pay

For each garnishment, unsatisfied judgement or direction to pay, indicate below (1) the amount that was owing at the time the garnishment, judgement or direction to pay was rendered, (2) the person or firm to whom the amount is, or was, owing, (3) any relevant dates (for example, when payments are due or when final payment was made), (4) the percentage of earnings to be garnished, (5) any amounts currently owing, and (6) any other information that you think is relevant or that is requested by the regulator.

SCHEDULE N

Ownership of securities firms
Item ☐17

Indicate below (a) the name of the firm and (b) your relationship to the firm.

a) Firm name:

b) Relationship to the firm and period of relationship:
☐ Partner From: / To: / *(if applicable*)
(YYYY/MM) (YYYY/MM)
☐ Major Shareholder (as defined in Item 13 of this form)
From: / To: / *(if applicable*)
(YYYY/MM) (YYYY/MM)

If you are a partner or major shareholder of the firm, provide the following information:

a) State the number, value, class and percentage of securities or the amount of partnership interest you own or propose to acquire upon approval. If acquiring shares upon approval, state source (for example, treasury shares, or if upon transfer, state name of transferor).

b) State the value (approximate, if necessary) of subordinated debentures or bonds of the firm to be held by you or any other subordinated loan to be made by you to the firm *(if applicable)*:

c) If another person or firm has provided you with funds to invest in the firm, identify the person or firm and state the relationship between you and that person or firm:

d) Are the funds to be invested (or proposed to be invested) guaranteed directly or indirectly by any person or firm?

Yes ☐ No ☐

If "Yes", identify the person or firm and state the relationship between you and that person or firm:

e) Have you either directly or indirectly given up any rights with respect to such securities or partnership interest, or do you, on approval of this application, intend to give up any such rights (including by hypothecation, pledging or depositing as collateral the securities or partnership interest with any institution or person?

Yes ☐ No ☐

If "Yes", identify the person or firm, state the relationship between you and that person or firm and describe the rights that have been or will be given up:

f) Is a person other than you the beneficial owner of the shares, bonds, debentures, partnership units or other notes held by you?

Yes ☐ No ☐

If "Yes", complete (g), (h) and (i).

g) Name of beneficial owner:
Last name First name Second name Third name
(*if applicable*) (*if applicable*)

h) Residential address:
(number, street, city, province, territory or state, country, postal code)

i) Occupation:

SCHEDULE O

Who to contact if you have questions about the collection and use of your personal information.

Contact Information

Alberta
Alberta Securities Commission,
4th Floor, 300 B 5th Avenue S.W.
Calgary, AB T2P 3C4
Attention: Information Officer
Telephone: (403) 297-6454

British Columbia
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Freedom of Information Officer
Telephone: (604) 899-6500 or (800) 373-6393 (in BC)

Manitoba
The Manitoba Securities Commission
500 – 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director – Legal
Telephone: (204) 945-0605

New Brunswick
New Brunswick Securities Commission
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Director, Market Regulation
Telephone: (506) 658-3021

Newfoundland and Labrador
Securities Commission of Newfoundland and Labrador
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NF A1B 4J6
Attention: Director of Securities
Tel: (709) 729-4189

Nova Scotia
Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
P.O. Box 458
Halifax, NS B3J 3J9
Attention: FOI Officer
Telephone: (902) 424-7768

Northwest Territories
Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NWT X1A 2L9
Attention: Deputy Registrar of Securities
Telephone: (867) 920-8984

Nunavut
Legal Registries Division
Department of Justice
Government of Nunavut
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Deputy Registrar of Securities
Telephone: (867) 975-6190

Ontario
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: FOI Coordinator
Telephone: (416) 593-8314

Prince Edward Island
Securities Registry
Office of the Attorney General B Consumer, Corporate and
Insurance Services Division
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Deputy Registrar of Securities
Telephone: (902) 368-4569

Québec
Autorité des marchés financiers
Stock Exchange Tower
P.O. Box 246, 22nd Floor
800 Victoria Square
Montréal, PQ H4Z 1G3
Attention: Responsable de l'accès à l'information
Telephone: (514) 395-0337 or (877) 525-0337 (in Québec)

Saskatchewan
Saskatchewan Financial Services Commission
800 B1920 Broad Street
Regina, SK S4P 3V7
Attention: Director
Telephone: (306) 787-5842

Yukon
Department of Community Services Yukon
P.O. Box 2703
Whitehorse, YU Y1A 2C6
Attention: Registrar of Securities
Telephone: (867) 667-5225

PROPOSED FORM 33-109F6 – APPLICATION FOR REGISTRATION AS A DEALER, ADVISER OR INVESTMENT FUND MANAGER FOR SECURITIES AND/OR DERIVATIVES (PAPER VERSION)

Complete this form to apply for the firm's initial registration in any province or territory of Canada. If you are unable to answer the question fully on the form, attach additional details as a schedule using a separate sheet of paper, clearly identifying the relevant section and item.

Please complete and sign the form, and send it to the appropriate Canadian securities regulator(s) in each Canadian jurisdiction where the firm is applying for registration. Make sure to include the required attachments, including all schedules, and have them initialed and dated by a senior officer of the applicant firm.

A. Contact information

1. Legal name of the applicant firm

2. Other than the legal name of the applicant firm provided in Item A.1, please list the names the applicant firm will be "carrying on business as" and any trade names the applicant firm operates under.
Please provide the effective date of trade names and the end date if applicable.

3. List all the previous names ever used by the applicant firm, and all previous names used by any of its affiliates or predecessors within the last 10 years

4. Address

Head office address

Telephone number Fax number

E-mail address Website (If not applicable to your firm, indicate N/A)

Mailing address (if different from head office address)

_____

_____

If the Head office is not in Canada, does the applicant firm have a place of business in Canada?

Yes ☐ No ☐

If yes, provide the mailing address.

5. Key contact person for the applicant firm (This is the primary person with whom the regulators will address all matters relating to the application and ongoing requirements. This person may be external legal counsel to the applicant firm.)

Name Telephone number

Firm Name (if not applicant firm name)

Title E-mail address

6. Address for service in home jurisdiction

If address for service is the same address as the head office address, check this box ☐

7. Who is responsible for the applicant firm's compliance in the Canadian jurisdiction(s) where the firm is applying for registration (e.g. Ultimate Designated Person and Chief Compliance Officer)? If it is the same person as indicated in question 5, state this.

Name:	NRD #:
Title:	E-mail address:
Telephone number:	Province or territory:

Name:	NRD #:
Title:	E-mail address:
Telephone number:	Province or territory:

8. Who is the Chief Authorized Firm Representative for the National Registration Database (NRD)?

Name E-mail address

Telephone number

B. Jurisdictions where firm is applying

Alberta ☐

British Columbia ☐

Manitoba ☐

New Brunswick ☐

Newfoundland & Labrador ☐

Northwest Territories ☐

Nova Scotia ☐

Nunavut ☐

Ontario ☐

Prince Edward Island ☐

Quebec ☐

Saskatchewan ☐

Yukon ☐

C. Categories of registration

1. What type of registration is the firm applying for? (Check all that apply.)

Investment dealer ☐

Mutual fund dealer ☐

Scholarship plan dealer ☐

Exempt market dealer ☐

Restricted Dealer ☐

Investment Fund manager ☐

Portfolio Manager ☐

Restricted Portfolio Manager ☐

D. Business structure and history

1. Type of legal structure (e.g. corporation, partnership, sole proprietor)

2. Where are the majority of the senior officers located?

3. Provide a brief history of the applicant firm and any affiliates, i.e. nature of the applicant firm's business and how long it has been in business.

4. Has the applicant firm amalgamated with, acquired or been acquired by another entity within the last 10 years?

Yes ☐ No ☐

If yes, provide names of entities, relevant dates, and type of transaction.

5. List all beneficial owners of the applicant firm that own, directly or indirectly, or exercise control or direction over, 10 per cent or more of the voting securities of the firm.

Name	Date of birth (if applicable)	Title (if applicable)	E-mail address	Security ownership (class, type and amount)

6. List all of the principals of the applicant firm. (If they are the same as above, state this.)

Name	Title	E-mail address

7. List below all the permitted individuals as defined in MI 33-109, and file a Form 33-109F4 for each of these permitted individuals via NRD

Name	Title	Date of Birth

Please attach the following documents:

8. A business plan for the next five years that includes:

- the nature of services, including types of securities and/or derivatives to be distributed or discretionary or non-discretionary advice provided

In this form, "derivatives" means financial instruments, such as futures contracts, options and swaps whose market price, value or payment obligations are derived from or based on one or more underlying interests. Derivatives can be in the form of instruments, agreements or securities.

- proposed or existing investment models for your portfolios, sectors and types of securities in models, research to be conducted, etc.
- products the applicant firm intends to develop, manage or administer and how they will be distributed
- the applicant firm's intentions about providing any financial services, such as lending or margining
- target client market (e.g. individuals, accredited investors, retail clients, types of institutions, etc.)

- details of relationships and any arrangements or contracts, relating to the financial services being provided, with other persons and/or companies
- how assets of clients will be held
- fees charged to clients (e.g. commissions, percentage of profits, transaction fees, pre-paid fees)
- details of outsourcing arrangements, such as names of entities involved, dates, and relationship with those entities
- list of products that will be sold under an exemption and which exemptions the applicant firm intends to rely on
- number of representatives and branches anticipated
- plans for non-securities business activities requiring a license
- plans for non-securities business that is not subject to licensing or registration

9. Organizational chart showing the applicant firm's reporting structure. This must include directors, senior officers/partners, ultimate responsible person and chief compliance officer.

10. Ownership chart showing all controlling and beneficial owners and affiliates

11. Copy of the articles of incorporation or any other constating document. If the applicant firm is a partnership or sole proprietor, provide a copy of the partnership agreement or registration of trade name.

E. Capital requirements

1. If the applicant firm is less than five years old, where did the applicant firm's start-up capital come from and what was the amount?

2. For assets of the applicant firm held by a financial institution, provide the following:

Name and address of financial institution	Description of asset	Amounts ($)

3. Are any people acting as guarantor for the applicant firm?

Yes ☐ No ☐

If yes and the guarantor has an NRD number, please provide this number_____

If yes, provide the names, address, telephone number and email address of the guarantor(s).

_____
_____

If yes, disclose any influence the guarantor(s) may have over the applicant firm and any potential for conflict of interest the firm may have with the individual(s) acting as guarantor(s), and describe how the applicant firm will minimize the potential for conflict of interest.

_____
_____

4. Does the applicant firm currently have any executed subordination agreements in relation to any loans from an associate owing by the firm?

Yes ☐ No ☐

If yes, provide a copy of each agreement.

Please attach the following documents:

5. Calculation of excess working capital form (for non SRO members use Form 31-103F1; for SRO members use the appropriate capital calculation form required to be filed by the IDA/MFDA)

6. Audited financial statements (opening balance sheet if the applicant firm is a start-up company)

F. Financial information

1. Fiscal year end (MM/DD)
(If the applicant firm does not have a definite date for its year end, state this and provide details.)

2. Firm's auditor

3. Insurance (for securities-related activities in all jurisdictions)

Name of insurer	Specific insuring agreements	Policy #
Amount of coverage $	Amount of the deductible $	Renewal date

List jurisdictions where insurance is held

_____

_____

If the applicant firm's insurance coverage is not in the form of a Financial Institution Bond, provide details demonstrating that the insurance coverage is equivalent to this bond.

_____

_____

Does the applicant firm's insurance cover all jurisdictions where it is applying for registration?

Yes ☐ No ☐ N/A ☐

If No or N/A, explain why

4. Has the applicant firm or any of its affiliates ever been declared bankrupt or made an assignment in bankruptcy?

Yes ☐ No ☐

If yes, provide details about how and when it happened, whether it was voluntary or involuntary, and the jurisdiction.

5. Has the applicant firm or any of its affiliates ever appointed a receiver or receiver manager, or had one appointed?

Yes ☐ No ☐

If yes, provide details, the date and the jurisdiction.

6. In the last ten years, has the applicant firm ever,

been denied bonding?	Yes ☐	No ☐
made a claim on a bond?	Yes ☐	No ☐
had a bond revoked?	Yes ☐	No ☐

If yes, provide details of the bond, the date and the jurisdiction and the reasons for the denial, payout or revocation.

7. Has the applicant firm made any claims to its insurance company during the last ten years for any securities-related activity?

Yes ☐ No ☐

If yes, provide amount of the claim, the date and the jurisdiction.

8. Provide the name and address of each bank where the applicant firm's accounts are held

Name

Address

Please attach the following documents:

9. Letter of direction authorizing the auditor to conduct an audit of the applicant firm that the regulator may request at any time while the firm is registered. The letter must state that the firm will pay for the costs of the audit and will provide the regulator with a copy of the report if requested.

10. Directors' resolution on sufficiency of insurance for securities-related activities

G. Operations

1. Does the applicant firm have any conflicts of interest related to securities or financial dealings of clients? For example, relationships with other registrants, referral arrangements with other registrants, or any affiliates registered in the same category for which the applicant is seeking registration.

Yes ☐ No ☐

If yes, provide details.

2. Does the applicant firm take possession or intend to take possession of client funds and/or securities?

Yes ☐ No ☐

Please attach the following documents:

3. Policies and procedures manual

4. Relationship(s) disclosure document

5. Written policy on fairness in allocation of investment opportunities (advisers only)

6. Copy of the applicant firm's letterhead and a sample business card

7. Proposed marketing material to be distributed by the firm

8. Copy of the firm's standard employment agreement between registered individuals and the firm specifically identifying the compensation arrangement

9. Copy of the applicant firm's Know Your Client form and/or client account opening forms

10. Where applicable, client-related documents, such as financial plans, investment policy statement and investment management agreements

H. Registration, licensing and memberships (financial services-related)

1. Is the applicant firm or any of its affiliates currently registered or have they ever been registered in any province, territory, state or country to deal or advise in securities or derivatives?

Yes ☐ No ☐

If yes, list the jurisdiction(s), categories of registration, date registered and expiry date of registration, if applicable.

2. Is the applicant firm a member of a securities and/or commodities exchange, a self-regulatory organization (SRO) or similar organization in any province, territory, state or country?

Yes ☐ No ☐

If yes, list the organization(s) and jurisdiction(s).

If no, has the applicant firm applied for registration or membership with a securities and/or commodities exchange, an SRO or similar organization?

Yes ☐ No ☐

If yes, list the organization(s) and jurisdiction(s).

3. Is the applicant firm or any of its affiliates currently registered or have they ever been registered in any province, territory, state or country under legislation that requires licensing or registration to sell or advise in financial products other than securities (e.g. mortgage broker, financial planning, life insurance, derivatives, etc.)?

Yes ☐ No ☐

If yes, list the type of license or registration, jurisdiction, date registered and expiry date of registration, if applicable.

4. Does the firm currently have clients in the jurisdiction where the firm is applying for registration?

Yes ☐ No ☐

If yes, please provide details.

5. Has the applicant firm or any of its affiliates or predecessors ever entered into a settlement agreement with any financial services regulator or with any organizations referred to in question 2 above?

Yes ☐ No ☐

If yes, please provide details.

6. Has any financial services regulator or any of the organizations referred to in question 2 ever:

	Yes	No
a. Determined that the applicant firm or any of its affiliates or predecessors made a false statement or omission	☐	☐
b. Determined that the applicant firm or any of its affiliates or predecessors violated regulations or laws of any province, territory, state or country, or violated the rules of an SRO or commodities exchange	☐	☐
c. Determined that the applicant firm or any of its affiliates or predecessors is not suitable for registration, licensing or membership	☐	☐
d. Refused the applicant firm or any of its affiliates or predecessors registration, licensing or membership in any province, territory, state or country for securities-related activities or in any other capacity?	☐	☐
e. Suspended or terminated any registration, licensing or membership of the applicant firm or any of its affiliates or predecessors	☐	☐
f. Appointed a monitor for the applicant firm or any of its affiliates or predecessors	☐	☐
g. Issued an order to the applicant firm or any of its affiliates or predecessors about investment-related activity (e.g. cease trade order)	☐	☐
h. Denied the applicant firm or any of its affiliates or predecessors any exemption from registration, licensing or membership in any province, territory, state or country	☐	☐
i. Imposed conditions on any registration or membership of the applicant firm or any of its affiliates or predecessors	☐	☐

If yes to any of the above items, provide full details, including the regulator/organization, jurisdiction and the date.

7. Within the last 10 years has the applicant firm ever been:

	Yes	No
a. Subject to an order, a proceeding or the initiation of a proceeding by a financial services regulator, securities and/or commodities exchange or SRO, or similar organization of which it is a member	☐	☐
b. Sanctioned by a financial services regulator, securities and/or commodities exchange or SRO, or organization of which it is a member	☐	☐

If yes to any of the above items, describe the proceeding or sanction, the regulator, SRO or organization and the relevant date(s).

8. Is the applicant firm currently involved in a situation that would reasonably be expected to result in a YES answer to any of the items in question 6 or 7 in this section?

Yes ☐ No ☐

If yes, describe the situation.

I. Legal action

1. Has the applicant firm or any of its affiliates ever been convicted under the laws of any province, territory, state or country?

Yes ☐ No ☐

If yes, describe the type of conviction, the date of the conviction and the jurisdiction.

2. Is the applicant firm or any of its affiliates currently the subject of any outstanding charges or indictments under the laws of any province, territory, state or country?

Yes ☐ No ☐

If yes, describe the charges or indictments and the jurisdiction.

3. Are there currently any outstanding civil actions against the applicant firm or its affiliates?

Yes ☐ No ☐

If yes, describe the nature of the action, the current stage of the litigation and the specific remedies requested by the plaintiff(s)

4. Has the applicant firm or any of its affiliates ever received a judgement of fraud or theft against it in a civil court, criminal court or administrative tribunal in any jurisdiction in the world?

Yes ☐ No ☐

If yes, describe the case, the date it took place and the jurisdiction.

5. Are there any judgements or liens against the applicant firm or any of its affiliates?

Yes ☐ No ☐

If yes, describe the judgements or liens, the date and the jurisdiction.

J. National Registration System

1. Election to use the national registration system (NRS)

Has the applicant firm elected to use the NRS?

Yes ☐ No ☐

If yes, by submitting this form, the applicant firm:

- certifies that in each Canadian jurisdiction where it has appointed an agent for service, it has completed the appointment of agent for service required in that jurisdiction
- is subject to the securities and/or derivatives legislation of each Canadian jurisdiction where it has applied for registration, including the jurisdiction of any tribunals or any proceedings that relate to the registrant's activities under that securities and/or derivatives legislation
- waives any right to use lack of jurisdiction as a defence in any of those tribunals or proceedings.

Please attach the following documents:

- A completed Form 31-101F1
- Cheque payable to each of the regulators where the applicant firm is seeking registration
- Confirmation that insurance covers all jurisdictions where applying for registration

K. Collection of personal information

Securities regulators require personal information about the people listed on this form so they can complete their review of this application, and if the firm is approved, to assess whether the firm continues to meet the registration requirements.

Securities regulators may collect this information only under the requirements in securities and/or derivatives legislation and may only use personal information to administer and enforce provisions of the securities and/or derivatives legislation. Securities regulators may collect personal information from this application, police records, records of other regulators or self-regulatory organizations, credit records, employment records, government and private bodies or agencies, individuals, corporations, and other organizations. They may also collect personal information indirectly.

Securities regulators may also provide personal information about the individuals listed on this form to other regulators, SROs or similar organizations or stock exchanges if required for an investigation or other regulatory issue.

If any one listed on this form has any questions about the collection and use of their personal information, they can contact the securities regulator in the relevant jurisdiction. See Schedule A for details. In Québec, they can also contact the Commission d'accès à l'information du Québec at 1-888-528-7741 or visit its website at www.cai.gouv.qc.ca.

By completing this section, you:

- Acknowledge that the securities regulator in the relevant jurisdiction(s) may collect personal information about the individuals listed on this form and to provide it to any regulator, SRO or similar organization or stock exchange if required for an investigation or other regulatory issue.
- confirm that the individuals listed on this form have been notified that their personal information is disclosed on this form, the legal reason for doing so, how it will be used and who to contact for more information.

Name of authorized signing officer

Title of authorized signing officer

Signature

Date signed (YYYY/MM/DD)

L. Submission to jurisdiction and appointment of agent for service of process (Those firms that are considered to be non-resident firms must complete this section for each jurisdiction where they are applying for registration.)

By submitting this form, the applicant firm:

- is subject to the securities and/or derivatives legislation of each Canadian jurisdiction where you have submitted this form, including the jurisdiction of any tribunals or any proceedings that relate to your activities as a registrant under that securities and/or derivatives legislation;

- appoints the agent at the address below to be served any documents for any of these tribunals or proceedings;

Name of the applicant firm

Jurisdiction where the applicant firm was incorporated

Agent Contact Information:

Name of agent for service of process (agent)

Address of agent in jurisdiction(s) where firm is applying for registration

Firm Name (if applicable)

Telephone Number

Fax number

E-mail address

The applicant firm agrees to file a new submission to jurisdiction and appointment of agent for service of process if any of the following changes occur within six years of the termination of the firm's registration:

- the name or address of the agent for service changes

- the firm changes its agent for service.

The new submission for jurisdiction and appointment for agent for service of process must be filed at least 30 days before the change comes into effect.

This submission to jurisdiction and appointment of agent for service of process is governed by the securities and/or derivatives legislation of the relevant jurisdiction in Canada.

Firm's authorization

Name of applicant firm's authorized signing officer

Title of applicant firm's authorized signing officer

Signature

Date signed (YYYY/MM/DD)

Agent's authorization

By signing below, you agree to act as agent for service of process for the applicant firm according to the terms set out in this submission to jurisdiction and appointment of agent for service of process.

Name of agent's authorized signing officer

Title of agent's authorized signing officer

Signature

Date signed (YYYY/MM/DD)

Please attach the following:

1. The firm's privacy statement for collection and disclosure of personal information ☐

2. The firm's executed consent to collection of personal information ☐

M. Signatures

By signing below, you confirm that:

- you have read and understand the questions in this form
- you understand that it is an offence under the securities and/or derivatives legislation to provide false or misleading information on this form
- all of the information provided on this form is true.

Name of applicant firm

Name of authorized signing officer

Title of authorized signing officer

Signature

Date signed (YYYY/MM/DD)

Witnessed by a lawyer, notary public or commissioner of oaths:

Name

Title

Signature
(indicate in which capacity witness has signed, i.e. lawyer, notary public or commissioner of oaths)

Date signed (YYYY/MM/DD)

Schedule A

Who to contact if you have questions about the collection and use of your personal information.

Alberta
Alberta Securities Commission,
4th Floor, 300 B 5th Avenue S.W.
Calgary, AB T2P 3C4
Attention: Information Officer
Telephone: (403) 297-6454

British Columbia
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attention: Freedom of Information Analyst
Telephone: (604) 899-6500 or (800) 373-6393 (in BC)

Manitoba
The Manitoba Securities Commission
500-400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attention: Director – Legal
Telephone: (204) 945-0605

New Brunswick
New Brunswick Securities Commission
Suite 300, 85 Charlotte Street
Saint John, NB E2L 2J2
Attention: Director, Market Regulation
Telephone: (506) 658-3021

Newfoundland and Labrador
Securities Commission of Newfoundland and Labrador
P.O. Box 8700, 2nd Floor, West Block
Confederation Building
St. John's, NF A1B 4J6
Attention: Director of Securities
Tel: (709) 729-4189

Nova Scotia
Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
P.O. Box 458
Halifax, NS B3J 3J9
Attention: FOI Officer
Telephone: (902) 424-7768

Northwest Territories
Government of the Northwest Territories
P.O. Box 1320
Yellowknife, NWT X1A 2L9
Attention: Deputy Registrar of Securities
Telephone: (867) 920-8984

Nunavut
Legal Registries Division
Department of Justice
Government of Nunavut
P.O. Box 1000 Station 570
Iqaluit, NU X0A 0H0
Attention: Deputy Registrar of Securities
Telephone: (867) 975-6190

Ontario
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: FOI Coordinator
Telephone: (416) 593-8314

Prince Edward Island
Securities Registry
Office of the Attorney General B Consumer, Corporate and
Insurance Services Division
P.O. Box 2000
Charlottetown, PE C1A 7N8
Attention: Deputy Registrar of Securities
Telephone: (902) 368-4569

Québec
Autorité des marchés financiers
Stock Exchange Tower
P.O. Box 246, 22nd Floor
800 Victoria Square
Montréal, PQ H4Z 1G3
Attention: Responsable de l'accès à l'information
Telephone: (514) 395-0337 or (877) 525-0337 (in Québec)

Saskatchewan
Saskatchewan Financial Services Commission
800 B1920 Broad Street
Regina, SK S4P 3V7
Attention: Director
Telephone: (306) 787-5842

Yukon
Department of Community Services Yukon
P.O. Box 2703
Whitehorse, YU Y1A 2C6
Attention: Registrar of Securities
Telephone: (867) 667-5225

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